

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF HAMPTON, VIRGINIA**

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**For the Fiscal Year Ended June 30, 2003**

Prepared by:

James A. Peterson, Director of Finance

Karl S. Daughtrey, Controller

**CITY OF HAMPTON, VIRGINIA  
ANNUAL FINANCIAL REPORT**

**June 30, 2003**

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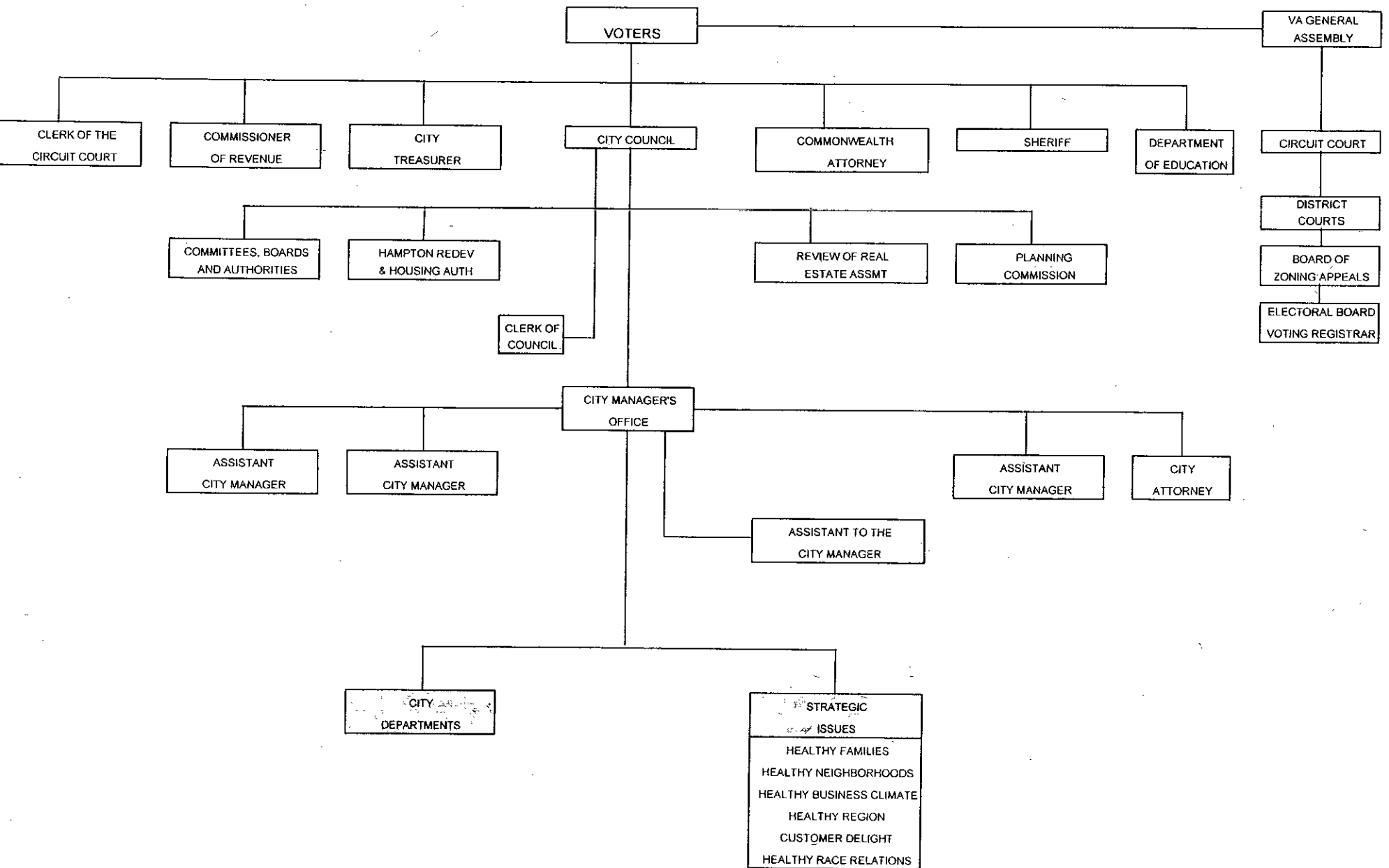
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# CITY OF HAMPTON, VIRGINIA



**CITY OF HAMPTON, VIRGINIA**  
**June 30, 2003**

**ELECTED OFFICIALS**

**CITY COUNCIL**

Dr. Mamie E. Locke, Mayor  
Paige V. Washington, Jr., Vice Mayor  
Randall A. Gilliland  
Ross A. Kearney, II  
Joseph H. Spencer, II  
Turner M. Spencer  
Rhet Tignor

**CONSTITUTIONAL OFFICERS**

James P. Bohnaker - Clerk of Courts  
Linda D. Curtis - Commonwealth Attorney  
Ross A. Mugler - Commissioner of Revenue  
Molly Joseph Ward - City Treasurer  
Billy Joe "B.J." Roberts - City Sheriff

**APPOINTED OFFICIALS**

**CITY ADMINISTRATION**

George E. Wallace - City Manager  
Mary Bunting – Assistant City Manager  
Michael A. Monteith – Assistant City Manager  
James A. Peterson, CPA - Director of Finance  
Christine Snead - Director of Budget  
Karl S. Daughtrey, CPA - City Controller

### **SCHOOL BOARD**

Lennie F. Routten, Chairman

Henry J. Godfrey, Vice Chairman  
Fred A. Brewer, Jr.  
Stephen W. Hancock

Linwood C. Harper  
Ruthann N. Kellum  
Dr. Samuel E. Massenberg

### **SCHOOL ADMINISTRATION**

Dr. Allen L. Davis, Superintendent  
Dr. Patricia Johnson, Assistant Superintendent for Elementary Instruction and Support Services  
Dr. Linda Shifflette, Assistant Superintendent for Secondary Instruction and Support Services  
Carolyn Bowers, Clerk of Board  
A. G. Womble, Jr., Director of Business and Finance

### **HAMPTON EMPLOYEES' RETIREMENT SYSTEM**

#### **BOARD OF TRUSTEES**

Michael A. Monteith, Chairman

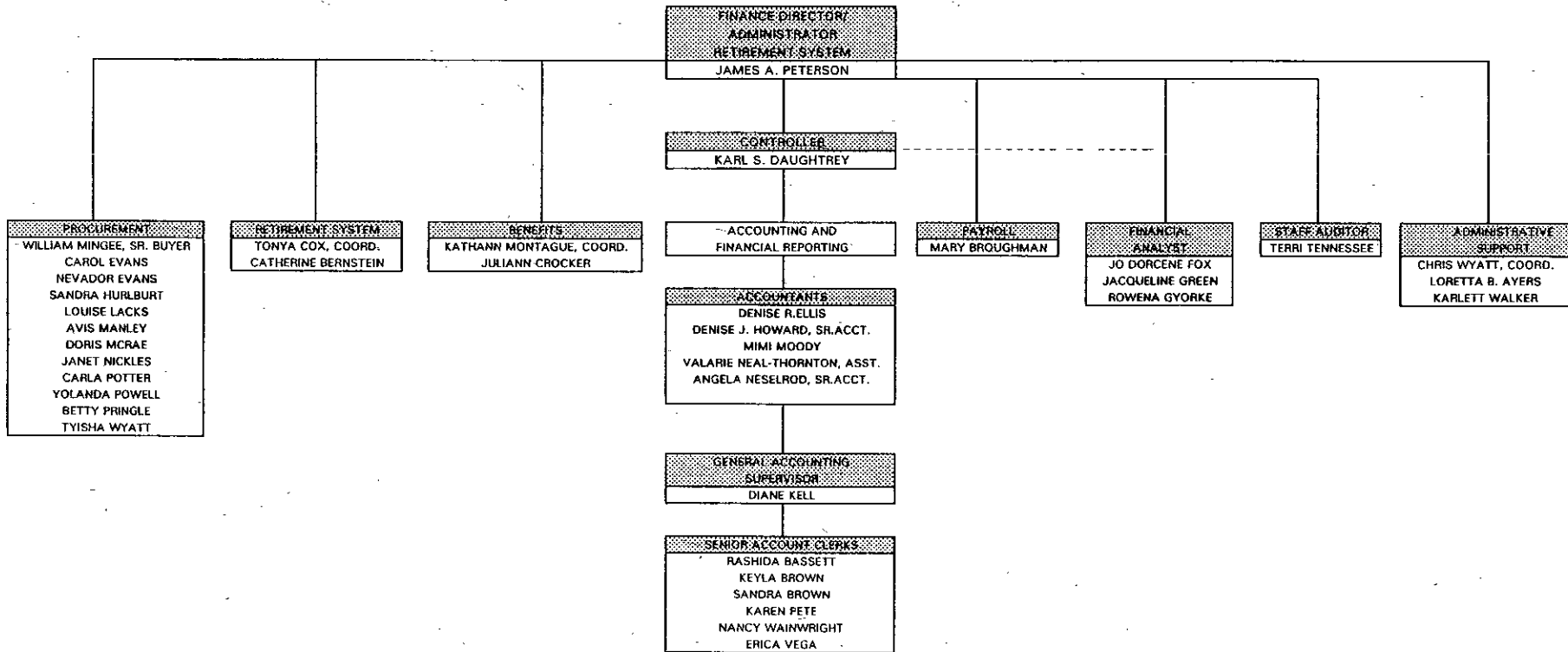
A. G. Womble, Jr., Vice Chairman  
A. Paul Burton, Legal Counsel  
Pamela M. Wise  
Joe B. Lewis, Jr.  
William F. Trimble, Jr.

Donald L. Hundley  
Emory H. Morgan, Jr.  
Kevin L. Hankins  
Frank A. Kearney, III

James A. Peterson, Administrator and Treasurer  
Tonya E. Cox, Secretary



CITY OF HAMPTON, VIRGINIA  
FINANCE DEPARTMENT  
FISCAL YEAR ENDING JUNE 30, 2003





**City of Hampton**

November 17, 2003

Honorable Mayor, Members of the  
City Council, and City Manager  
Hampton, Virginia

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Hampton for the fiscal year ended June 30, 2003. This report has been prepared by the Department of Finance in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia.

The accuracy, completeness and fairness of the information presented in this report is primarily the responsibility of City Management. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The report is organized in four (4) major sections:

- 1) Introduction - This section acquaints the report reader with the City in general and summarizes financial activity for the fiscal year.

- 2) Financial - This section contains the Independent Auditor's Report on the City's financial statements, Management's Discussion and Analysis, the basic financial statements and related notes thereto, the Combining and Individual Funds Financial Statements and Supplementary Schedules.
- 3) Statistical - This section contains fifteen (15) tables of financial data, selected economic trend data and other demographics of the City.
- 4) Financial Compliance Report - This section contains the financial compliance reports on Federal Awards.

#### GENERAL INFORMATION:

##### Background

The City of Hampton, Virginia, settled in 1610, is the oldest English-speaking community in continuous existence in the United States. The City was incorporated on March 30, 1908 and has operated under its existing charter since December 16, 1952. Its boundaries were extended on July 1, 1952 through the annexation of Elizabeth City County and Phoebus. The City is comprised of 72 square miles, including 54.7 square miles of land and 17.3 square miles of water. Hampton is situated at the extreme southeastern tip of the lower Peninsula of Virginia. It is bounded on the west by the City of Newport News, on the north by York County and the City of Poquoson, on the east by the Chesapeake Bay and on the south by the Harbors of Hampton Roads.

The 2000 U.S. Census reported a population of 146,437; however, estimates indicate a decline in population of .8% or 1,237 persons. Downsizing within the military community on the Peninsula is a contributing factor to this decline. Hampton is part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA).

Hampton is an independent, full-service City with sole local government taxing authority within its boundaries. The governing body of the City is an elected City Council composed of a mayor and six (6) council members. The Mayor and City Council members are elected for four (4) year terms in general elections held every two (2) years. The City Council appoints the City Manager who acts as the Chief Executive Officer of the government. The City Manager serves at the pleasure of the Council and is charged with the responsibility of carrying out their policies, directing business procedures, and appointing and removing all department heads and city employees.

As a full-service City, Hampton provides a broad range of municipal services to its citizens. Those services include public safety, education, public works, refuse-collection, recreation, building inspection, public health, social services, planning and community development, etc.

#### Economic Conditions

The City's central location in the Norfolk-Virginia Beach-Newport News, Metropolitan Statistical Area ("MSA") affords its businesses the ability to take advantage of resources offered throughout the area. Hampton's many business advantages have attracted a long list of prosperous and well-known national and international companies. Manufacturing, retail, services, distribution and federal installations comprise the major components of economic activity within the City. Additionally, the telecommunications industry has installed an infrastructure of fiber optic cable and digital switching that has kept pace with new technology and has enhanced Hampton's competitiveness in attracting certain industries.

#### Economic Development

The Power Plant of Hampton Roads, a lifestyle retail-entertainment and big-box retail project, is under development by The Cordish Company. The Power Plant is currently housing the Lowe's Home Improvement Store, Cici's Pizza Restaurant and is soon to be the home of the Bass Pro Outdoor World retail store and restaurant, Five, Johnny Carino's Country Italian, Lone Star Steakhouse and Saloon and SONIC Drive-in Restaurant. Once completed, the Power Plant will constitute an investment of up to \$110 million and generate over \$7 million in total new annual direct tax revenue to the City.

Bass Pro Outdoor World is an interactive retail store that will consist of a 110,000 square foot store and a 10,000 square foot restaurant. Bass Pro stores feature golf, fly-casting, rock climbing and a shooting arcade. These stores are typically adorned with waterfalls, huge aquariums and true to life wildlife exhibits. Bass Pro will generate over \$3 million in tax revenue and over 230 jobs.

Crossroads is a multi-use development project that is aimed at enhancing the City's citizens' quality of life and future tax base. Crossroads is located on approximately 120 acres of publicly owned land surrounding the Hampton Coliseum. Crossroads includes a 325,000 square foot convention center, 3,500 parking spaces, a 300-room Embassy Suites convention headquarters hotel, 250,000 square feet of private development and an adjacent public park.

In April 2003, Portfolio Recovery Associates held a ribbon cutting ceremony at a new 21,000 square foot office facility at netcenter. Portfolio Recovery Associates is a leading debt collection management company that employs entry level to experienced collection representatives, including management positions. The company plans to invest \$2 million and create 250 jobs over a three-year period.

West Corporation plans to hire approximately 300 additional Customer Service Representatives at their state-of-the-art contact center due to increased business demands. West Corporation, a leading provider of outsourced communication solutions, began operations in Hampton in 1996.

Craig Davis Properties is a Raleigh, North Carolina developer that plans to build six to eight buildings for use by light manufacturing and distribution companies in Hampton Roads Center North located near NASA/Langley Research Center. This project is expected to add 900,000 square feet of space, \$36 million in capital investments and house 1,350 new jobs. The National Institute of Aerospace (NIA), an aerospace and atmospheric sciences research and graduate education facility, approved plans to locate itself in a 60,000 square foot facility in Hampton Roads Center North in January 2003. NIA plans to employ 300-400 scientists and engineers.

The Hawkins Company has completed three of five office buildings in the Hampton Roads Center Business Park, two of which are occupied by Nextel Communications. Hawkins estimates that once the five new office buildings are completed, the complex will constitute a capital investment of \$25 million bringing 1,600 additional jobs to the city.

Sentara Hampton General Hospital opened a new state of the art facility, consisting of 330,000 square feet in central Hampton in December 2002. \$72 million was invested in the new facility, which will serve as a catalyst to attract additional physicians to Hampton and give an economic boost to the area. The facility, which also houses medical offices, expects to handle more than 70,000 emergency patients and 120,000 outpatient visitors in its first year.

TeleTech expanded and created 760 new jobs in Hampton due to increased demand. TeleTech, located in the Hampton Roads Center Business Park – Central Campus, is a leading provider of customer management solutions.

Metro Productions centralized its company's operations and relocated the company headquarters to Downtown Hampton. Metro Productions, a full service video, film, and multi-media production company, plans to employ 25-30 people. The company will invest approximately \$200,000 to renovate the three-story 16,000 square foot building that it purchased.

In July 2002, two companies, Biomat USA and Eagle Aeronautics, moved into the former Ames retail space in Langley Square Shopping Center. Biomat USA, the fourth largest collector of human blood products in the world, will create 25 new jobs at its plasma donor center. Eagle Aeronautics, Inc., is an aerospace engineering consulting firm. Eagle Aeronautics relocated from the Langley Research and Development Park to Langley Square Shopping Center where it will expand its facility and add several new employees. In addition the company will take advantage of maintaining a principal office in a HUB Zone designation, which will provide additional government contracting opportunities.

#### Military and Federal Research Facility

Langley Air Force Base is the headquarters for the Air Combat Command and home to the First Fighter Wing. The base contracts for more than \$150 million annually for services and employs more than 12,800 people with an annual payroll that exceeds \$350 million.

Fort Monroe serves as the United States Army's Training and Doctrine Command and as the Army's Reserve Officers Training Corps (ROTC) Cadet Command School. Fort Monroe employs over 2,500 people resulting in an annual payroll exceeding \$100 million. The local economic impacts include approximately \$80 million in contracts, \$3 million in supplies and equipment purchases and another \$5 million in travel and transportation.

The National Aeronautics and Space Administration's NASA/Langley Research Center is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent governmental functions such as safety, national defense, environmental study and the air transportation system. The Center has 2,345 full-time employees and had a total local impact of \$202 million to the economy according to their Economic Impact Summary for Fiscal-Year 2002. NASA, Langley Full Scale Tunnel, Peninsula Alliance for Economic Development and Hampton recently formed the Hampton Motor Sports Technology Alliance in order to take advantage of the synergy between aerospace and high performance motor vehicles. Hampton is excited about becoming the Motor Sports Technology Capital of North America, which received a boost with Governor Warner's announcement of the Virginia Motorsports Initiative. In the announcement, the Governor stated that "Our aim is to attract and grow in Virginia a dynamic motor sports industry that sees the Commonwealth as the preferred location for engine builders, component makers, race car teams and other businesses in the fast growing motor sports world."

#### Major Initiatives and Accomplishments

A new 117,000 square foot, seven-story Downtown Public Office Building, known as the Ruppert Leon Sargent Building, was constructed and will hold 250 school administrative personnel downtown and house several City departments that were renting space in private office buildings. This new building, opened in September 2002, is expected to provide better efficiencies and more opportunities to improve our customer service.

In October 2002, the City of Hampton's Ruppert Leon Sargent Memorial Administration Building was presented the highest award for 2002 Excellence in Development Design by winning the First Honor Award for "Best Institutional Building" in the Hampton Roads region. The award was presented at the annual awards dinner of the Hampton Roads Association for Commercial Real Estate (HRACRE).

In January 2003 the new Juvenile and Domestic Relations Courthouse was completed and occupied. The Cousteau Society relocated its U. S. headquarters and opened a new gallery on the Hampton waterfront in June 2003. The Cousteau Society is dedicated to exploring and protecting our water resources and to improving the quality of life for present and future generations.

Honorable Mayor, Members of the City Council, and City Manager  
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The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Distinguished Budget Presentation Award to the City of Hampton. The award reflects the commitment of the governing body and staff to meet the highest principles of governmental budgeting.

#### SUMMARY FINANCIAL INFORMATION:

##### Accounting System and Budgetary Control

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund balance, revenues and expenditures or expenses.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.



All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Budgetary control is maintained at the line item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of line items are not issued until additional appropriations or transfers are made available. Open encumbrances are reported as reservations of fund balance at June 30, 2003.

The annual appropriation ordinance sets the authorized expenditure level for each department. Department heads, budget officer and finance department constantly monitor the budget during the course of the fiscal year. The City Manager is authorized to transfer budgeted amounts within the General Fund; however, revisions that alter the total appropriations for a department must be approved by City Council. Transfers within the School Operating Fund are under the control of the School Board.

#### The Reporting Entity and Its Services

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all the organizations, activities, functions and component units for which the City (the Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. On this basis, the reporting entity of the City includes the following services as authorized by its charter: public works, public safety, human services, development, health, recreation and parks, and public education. In addition, the City owns and operates the Hampton Coliseum and two (2) public golf courses.

Accordingly, the following funds and entities are included in the City's Annual Report:

Primary Government  
Fund Types

General  
Special Revenue  
Debt Service  
Capital Projects  
Permanent  
Enterprise  
Internal Service  
Fiduciary Funds

Blended Component Units

Hampton Redevelopment and Housing Authority

Discretely Presented Component Units

Hampton City School Board  
Industrial Development Authority of the  
City of Hampton, Virginia

Hampton Redevelopment and Housing Authority (HRHA)

HRHA is a legally separate public corporation, which was established under the laws of the Commonwealth of Virginia to manage, operate, and provide low rent public housing within the City. HRHA's board is the Hampton City Council. Surpluses and deficits are the responsibility of HRHA. Budgetary approval, the signing of contracts, hiring of key personnel and control over facilities is all performed by HRHA. HRHA is included in the financial statements as a blended component unit.

Hampton City School Board

Virginia state statutes put Virginia schools under the dual control of the State Education Board and an elected local school board. The State Education Board provides operational procedures, standards of education and state school aid formulas for partial funding. The locality must provide all capital improvement funds and any additional operating funds required, but not provided by the State Education Board. The City Council's authority is limited to appropriating funds by state established categories. Local school boards do not have taxing or bond issuance authority. The School Board is a legally separate public corporation. Financial information of the School Board is included in this report as a discretely presented component unit.

Industrial Development Authority of the City of Hampton, Virginia (IDA)

The IDA is a legally separate corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, as amended, together with the ordinances adopted by the Council of the City of Hampton.

The IDA has the responsibility of promoting industry and developing trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the City. The oversight responsibility for the Authority's operations, including appointment of the governing board, appropriation of operating funds and budgetary control over revenues derived from sale of property, rests with the City Council. The IDA is included as part of the financial statements of the City of Hampton as a discretely presented component unit.

The following entities are not a part of the City of Hampton and, thus, are excluded from the accompanying financial statements:

Jointly Governed Organizations

Hampton-Newport News Community Services Board (CSB)

The CSB operates as an agent for the cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. In addition, the Board provides a system of community mental health and mental retardation and substance abuse services which relate to and are integrated with existing and planned programs. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds.

#### Other Regional Authorities

The following agencies serve the City of Hampton and surrounding localities. Board membership is allocated and appointed by the various councils and boards of the localities.

1. Hampton Roads Transit (HRT)
2. Peninsula Airport Commission (PAC)
3. Hampton Roads Planning District Commission (HRPDC)
4. Peninsula Alliance for Economic Development (PAED)
5. Virginia Peninsulas Public Service Authority (VPPSA)
6. Hampton Roads Regional Jail Authority (HRRJA)

Operating expenditures of HRT and HRPDC are financed by federal/state grants, fees and contributions. PAED's operating expenditures are financed by contributions from local businesses and local governmental units. The PAC's and VPPSA's operating and capital expenditures, including debt service, are financed entirely by its operations and contributions from participating localities. HRRJA's operating and capital expenditures, including debt service, are financed entirely by its operations.

The City of Hampton and its citizens purchase their water and sewer service directly from the Newport News Waterworks and Hampton Roads Sanitation District, respectively.

#### General Governmental Operations

All general governmental operations are accounted for in the General, Special Revenue, Capital Projects and Debt Service Funds. Substantially all recurring revenues and expenditures are accounted for in the General Fund and the School Operating Fund (included in the Discretely Presented Component Unit-School Board financial statements).

Total revenues, expenditures, and other financing sources and uses, fiscal year 2003 versus 2002 of General and School Operating Funds were as follows:

	000's Omitted		Percent Increase (Decrease)
	2003	2002	
<u>Revenues and Other Financing Sources:</u>			
General Fund	\$ 213,759	\$ 202,734	5.44
School Operating	102,012*	-94,673*	7.75
Total	<u>315,771</u>	<u>297,407</u>	<u>6.17</u>
<u>Expenditures and Other Financing Uses:</u>			
General Fund	156,043*	145,649*	7.14
School Operating	151,962*	147,790*	2.82
Total	<u>308,005</u>	<u>293,439</u>	<u>4.96</u>
Excess (deficiency) funded to (from) fund balance	\$ 7,766	\$ 3,968	

\* Excludes transfers between the General Fund and School Operating Fund.

General Fund revenues and other financing sources increased approximately \$11 million over fiscal year 2002. The significant increases in General Fund revenues for fiscal 2003 were in general property tax collections, recovered costs, categorical aid from the Federal government and a \$1 million increase in transfers from the Risk Management Fund. Real estate tax collections increased by \$3.8 million from a 4.8% increase in the assessed value. Personal property collections increased by \$1.5 million due to an increase of 1.3% in personal property value and a .7% increase in collections. Virginia Department of Transportation road project reimbursements (recovered cost) saw an increase of \$.8 million over fiscal year 2002. Significant projects for fiscal year 2003 were the Commander Shepard Extension, Coliseum Drive at Von Shilling Drive and the Armistead Avenue Connector. Total Federal aid for public assistance and foster care prevention and preplacement increased by \$2.4 million in fiscal year 2003.

The School Operating Fund revenues increased by \$7.3 million over fiscal year 2002, attributable primarily to an increase in state reimbursements for basic aid based on student enrollment.

General Fund expenditures increased 7.14% over fiscal year 2002. The majority of this increase is due to performance increases averaging 3%, six (6) additional positions within the Police Department, a 12% mid-year salary increase for certain Public Safety employees, and a 10% increase in premium cost for the City's self-insured hospitalization plan, which was shared equally between the City and its employees. Expenditures in Culture and Recreation increased due to greater than anticipated participation in recreational programs as well as technological improvements. Increases in Social Services are due to the State of Virginia budget decreases, which in effect increased the amount that the City of Hampton had to contribute for purchase of services, such as counseling. In addition the City made the first payment to HRHA for property acquired for the Convention Center complex and there was an increase of promotion of the anticipated Convention Center, which resulted in advanced booking of conventions. Transfers from the General Fund to Debt Service Fund increased to cover the additional principal and interest requirements resulting from recently issued bonds.

The School Board operating fund expenditures increased by \$4.2 million. This increase was due primarily to salary increase of 3% for all employees, which equates to an increase of \$1.5 million, acquisition of new software, additional textbooks required by increased enrollment, staff development costs of training for teacher assistants required by the No Child Left Behind Act, additional classrooms constructed and equipped at one of the middle schools, as well as unexpected repairs to school buildings.

The four (4) fiscal policies adopted by City Council in 1986 relate to general operating elements of the City. Since their adoption, these policies have been used as financial planning parameters during the annual budget process. The following summarizes the policy statement and actual results:

- a. Personal Service Costs - Any percent increase in the cost for permanent, full-time City staff positions shall be less than the increase in local revenues.

Local revenues increased 4.48% from \$174.3 million in 2002 to \$182.1 million in 2003. Personal service costs (including fringe benefits) increased from \$71.4 million in 2002 to \$76.5 million or 7.21% in 2003. Actual was not within the policy parameters.

- b. Non-Recurring Capital Expenditures from General Fund Resources - Not less than two percent (2%), but not more than six percent (6%) of estimated revenues per the annual operating budget (General Fund) shall be devoted to non-recurring capital expenditures.

Capital expenditures of the General Fund were \$6.8 million or 2.18% of adjusted estimated revenues (General Fund - \$210.6 million and School Operating Fund - \$102.1 million), which was within the two policy parameters.

- c. Undesignated Fund Balance - Shall be maintained at a level of not less than five percent (5%) of estimated revenues in the annual operating budget (General Fund and School Operating Fund).

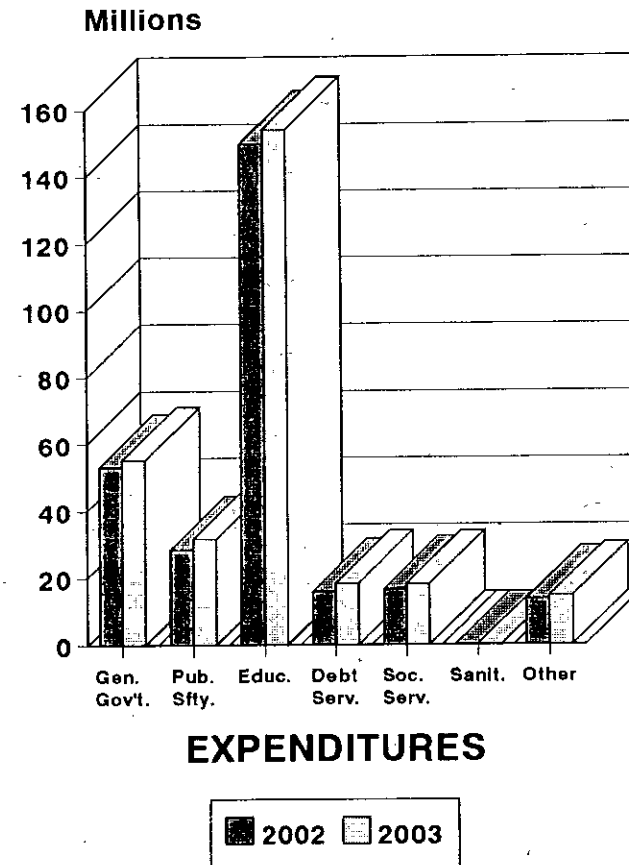
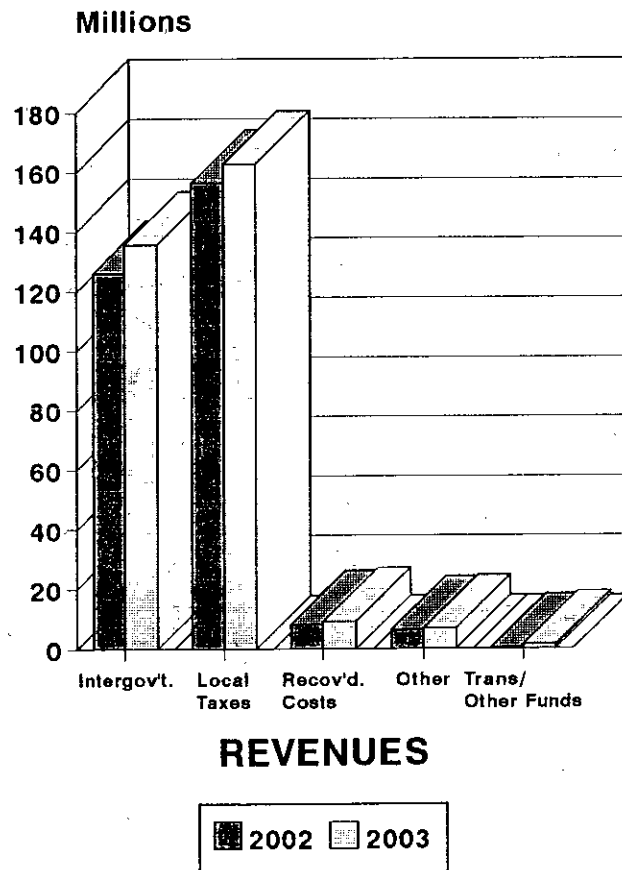
Undesignated fund balance at June 30, 2003 is \$29.0 million or 9.28% of adjusted estimated revenues, which is within the policy parameters.

The fourth policy relates to outstanding general obligation bonds and related debt service. That policy is discussed under the debt management section of this transmittal letter.

The following graph compares 2003 and 2002 General Fund and School Operating Fund revenues and expenditures:

SEE FOLLOWING PAGE

## GENERAL FUND AND SCHOOL OPERATING FUND 2002 AND 2003 REVENUES & EXPENDITURES



**Note: Expenditures include items reflected in the basic financial statements as transfers**



Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. The City's ratio continues in a favorable trend due to the combined effect of increased assessment value, the payoff of outstanding bonds and the City's fiscal policy on debt management. The data for the City at June 30, 2003 was as follows, using the latest population estimate by the Planning Department (145,200).

<u>Net bonded debt for City and</u>	
<u>Component Unit – School Board</u>	\$ 165,123,916
Ratio of debt to assessed value	2.81%
Debt per capita	\$1,137.21

<u>Net bonded debt excluding</u>	
<u>Component Unit – School Board and</u>	
<u>the \$4,838,335 issued on behalf of the</u>	
<u>Refuse-Steam Plant</u>	\$ 151,306,665
Ratio of debt to assessed value	2.57%
Debt per capita	\$1,042.06

<u>All net direct tax-supported bonded</u>	
<u>debt and Long-Term Notes Payable and</u>	
<u>Discretely Presented Component Unit School</u>	
<u>Board debt (excluding HRHA debt)</u>	\$ 170,882,170
Ratio of debt to assessed value	2.91%
Debt per capita	\$1,176.87

Outstanding general obligation bonds at June 30, 2003 totaled \$165,123,916 of which \$8,978,916 in taxable bonds was issued on behalf of the Hampton School Board (a discretely presented component unit) and the balance of \$4,838,335 on behalf of the Refuse-Steam Plant (an internal service fund). The City's credit rating by Standard and Poor's rating service is AA and Aa2 by Moody's Investment Services.

During the year, \$10,547,971 of general debt, \$195,000 of The Hamptons Golf Course Revenue Bonds, and \$940,000 of Museum Revenue Bonds were retired. Museum Revenue Bonds of \$14,265,000 were outstanding at June 30, 2003. The Hamptons Golf Course Revenue Bonds of \$2,455,000 were outstanding at June 30, 2003. Convention Center Revenue Bonds of \$106,305,000 were outstanding at June 30, 2003.

The City's internal fiscal policies related to debt administration are:

- a) General bonded debt shall not exceed 3% of the assessed value of real property. At June 30, 2003, this would amount to \$176 million. (The legal limit authorized by the Commonwealth of Virginia is 10%); and,
- b) Related annual debt service cost will be the lesser of:
  - a. Related annual debt service cost shall not exceed 11.5% of local revenues (\$181.0 million), which would amount to \$20.8 million for fiscal 2003, or
  - b. Related annual debt service cost shall not exceed 9% of total revenues (\$223.5 million), which would amount to \$20.1 million for fiscal 2003.

Note: For policy purpose local revenues include the General Fund plus solid waste and wastewater user fees of \$6.5 million and \$4.3 million, respectively.

The outstanding general bonded debt at June 30, 2003 is \$155.1 million with related debt service cost (from General Fund sources) of \$18.3 million (\$10,547,971 principal and \$7,708,410 interest) for the year then ended, which is within the policy parameters. For debt policy purposes, outstanding general long-term debt includes general bonded debt (\$165.1 million), plus general long-term notes (\$3.8 million), plus literary loans (\$1.7 million) less amounts deposited in a sinking fund to retire general obligation bonds due 2007 (\$10.7 million), less general obligation bonded debt related to the Refuse-Steam Plant (\$4.8 million).

In addition to general obligation bonds, general long-term debt includes the following outstanding debts at June 30, 2003:

	Primary Government	Discretely Presented Component Unit School Board
Long-Term Notes Payable	\$ 3,774,727	\$
State Literary Loans	1,704,527	
Installment Purchases and Capital Leases	2,108,531	1,662,475
Accrued Sick and Annual Leave	5,305,325	5,541,494

#### Proprietary Funds Operations

The City currently operates eight enterprise funds including the component unit IDA and five internal service funds. The enterprise funds are set up to operate primarily from user fees charged to the general public, except the Industrial Development Authority of the City of Hampton, Virginia (IDA). The IDA fund's primary revenue source is the sale of property held for resale to promote manufacturing and commercial development in the City. Four of the internal service funds are operated from fees charged to agencies and departments of the City. In the fifth internal service fund, Refuse-Stream Plant, revenues are generated from sale of steam to NASA/Langley Research Center and Solid Waste Tipping Fees charged to the City according to an agreed-upon usage formula, as well as user fees charged to external customers.

The City funds operating deficits in the enterprise funds by increasing the user-fees or direct subsidy in the succeeding year. In fiscal year 2003, operating subsidy of \$455,000 to the Hamptons Golf Course was provided from General Fund resources.

#### Fiduciary Operations

The City maintains three fiduciary funds. The Pension Trust Fund (Hampton Employees' Retirement System) is the largest of the fiduciary funds and there are two agency funds (Special Welfare and Other). The Hampton Employees' Retirement System (HERS) is a City sponsored plan that provides a supplemental retirement benefit to participating employees. The primary retirement benefit is provided under the State sponsored Virginia Retirement System. The two plans are more fully discussed under the Retirement Plans section of this transmittal letter.

### Retirement Plans

The City contributes to two pension plans for its employees, the Hampton Employees' Retirement System ("HERS") and the Virginia Retirement System ("VRS"). Each plan covers all full-time salaried employees who were hired prior to age sixty. As of July 1, 1984, HERS was closed to new entrants; employees first hired after June 30, 1984 are not eligible for membership in the Plan.

Contributions to HERS by the City and Component Unit School Board, were \$-0- for the fiscal year ended June 30, 2003.

Contributions to VRS were as follows:

City employees	\$ 8,674,799
School System non-professional employees	<u>456,004</u>
Total	<u>\$ 9,130,803</u>

In addition, the State assumes responsibility for a portion of the employer's share of VRS contributions for certain teaching and administrative personnel of the School Board. The School Board's 2003 contribution to the VRS statewide teacher pool was \$8,092,867.

Effective June 1, 1980, the City elected to pay the employees' 5 percent share of VRS. Contributions made on behalf of employees between June 1, 1980 and June 30, 1990 are credited to the City's account and not to an individual employee's account. Effective July 1, 1990, such contributions are credited to the employee's account. Effective July 1, 1981, the School Board elected to pay the employees' 5 percent share of VRS. Effective July 1, 1994, all contributions are refundable to terminating City and School employees.

### Risk Management Program

The City and City Schools are exposed to various risk of losses related to torts, property damage, loss of assets, errors and omissions, natural disasters and workers' compensation claims. Under the City's self-insurance program, a combination of commercial coverage and self insurance is used to limit the City's exposure. The coverage limits are as follows:

	<u>Self-Insurance</u>	<u>Limits Under Commercial Insurance (After Self-Insurance Limit)</u>
Workmen's Compensation per occurrence (City and Schools)	Up to \$500,000	Up to \$10,000,000
General Liability per occurrence (City)	Up to \$1,000,000	Up to \$10,000,000
Property Damage per occurrence (City and Schools)	Up to \$50,000 (City); Up to \$100,000 (Schools)	Up to \$208,831,997 (City); Up to \$250,000,000 (Schools)
General Liability per occurrence (Schools)	Up to \$1,000,000 (Auto)	Up to \$10,000,000
Medical Claims	Up to \$100,000 per Individual in plan year (City)	Up to \$5,000,000 lifetime aggregate (City)

### Cash Management

All of the City's cash is deposited with the City Treasurer, an elected officer. The responsibility for investing all City funds, except for retirement fund assets, is vested in the Department of Finance. City cash is invested primarily in overnight repurchase agreements, certificates of deposit, banker's acceptances, U.S. government-backed or guaranteed securities and other short-term investments permissible under the Virginia Security for Public Deposits Act.

At June 30, 2003, the various cash balances include cash on hand and on deposit in banks (including certificates of deposit) of \$21,821,690 and short-term investments consisting of repurchase agreements of \$5,774,967 and U.S. government securities of \$62,312,547.

### Independent Audit

The City Charter requires an annual audit of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the auditor's opinion has been included in this report.

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hampton for its comprehensive annual financial report for the fiscal year ended June 30, 2002.

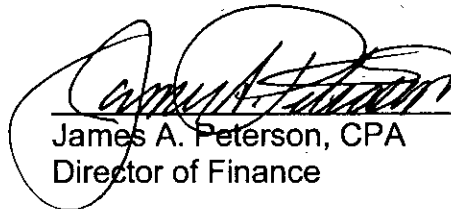
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements. This report will also be submitted to the GFOA to determine its eligibility for a certificate.

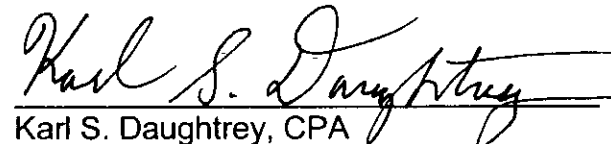
Acknowledgments

We acknowledge, with gratitude, the continued efficient and dedicated service rendered by the Finance Department staff and the assistance rendered by Witt Mares Eggleston Smith, PLC in keeping us in conformity with the rapidly changing accounting interpretations and principles. We also appreciate the responsible and progressive management program administered by your office and the members of the City Council.

Respectfully submitted,



James A. Peterson, CPA  
Director of Finance



Karl S. Daughtrey, CPA  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hampton,  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director





# WITT MARES EGGLESTON SMITH, PLC

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Hampton, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hampton's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority's funds, which statements reflect total assets of \$42,658,985 as of December 31, 2002, and total revenues of \$22,009,073 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Hampton Redevelopment and Housing Authority in the proprietary fund types, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hampton, Virginia, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 30 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2003 on our consideration of the City of Hampton, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit and the audit of the other auditors were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hampton, Virginia's basic financial statements. The accompanying financial information listed as combining and individual statements and supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. Federal awards with expenditures totaling \$16,892,789 expended by the Hampton Redevelopment and Housing Authority have been excluded from the Schedule of Expenditures of Federal Awards. Such expenditures have been subjected to the auditing procedures applied in the audit of the Hampton Redevelopment and Housing Authority's financial statements referred to above by the other auditors whose report thereon has been furnished to us. The statistical information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Hampton, Virginia. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Witt Mares Eggleston Smith, P.C.

Newport News, Virginia  
October 31, 2003

The following discussion and analysis of the City of Hampton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter on page 5 and the City's financial statements, which follow this section (page 44).

## **FINANCIAL HIGHLIGHTS**

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by \$5.1 million (Exhibit A-4) after making a \$52.6 million transfer to Hampton City Schools, \$6.8 million transfer to Capital Projects, \$7.7 million transfer to Enterprise Funds, \$1.5 million to Special Revenue Funds and \$18.3 million to Debt Service Funds.
- On a government-wide basis for governmental activities, the City's net assets increased by \$5.1 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net assets increased by \$11.3 million (Exhibit A-2).
- The assets of the City of Hampton exceed its liabilities at the close of fiscal year 2003. The City's total net assets, excluding component units, on the government-wide basis, totaled \$186 million at June 30, 2003. Of this amount, \$53.6 million is available for spending at the government's discretion (unrestricted net assets - Exhibit A-1).
- On a government-wide basis for business-type activities, the City had revenue net of program expenses of \$2.4 million.

## **USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

The Comprehensive Annual Financial Report consists of four (4) sections: introductory, financial, statistical and financial compliance reports for federal funds. The financial section consists of three (3) sections: *management's discussion and analysis; basic financial statements; and supplementary information.*

## GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements are designed to provide the reader with a broad overview of the City of Hampton's finances, in a manner similar to a private-sector business. One of the most frequently asked questions about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current-year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and the changes in them. One can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, found on pages 44 – 46 of this report, we divide the City into the following:

- **Governmental activities** – Most of the City's basic services are reported here, including general government, public safety, public works, social services, and culture and recreation. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- **Business-type activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's coliseum, golf courses, museum, convention center, sewer and trash collection operations are reported here. In addition the City's blended component unit, Hampton Redevelopment and Housing Authority (HRHA), is reported here. HRHA's low rent housing operations are funded primarily by charges to renters and federal grants.
- **Component units** – The City includes two separate legal entities in its report – the Hampton City School Board and Hampton Industrial Development Authority. Although legally separate, these "component units" are important because the City is financially accountable for them and provides operating and capital funding.

## FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund statement presentation more familiar, although the focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds – not the City as a whole. The City of Hampton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City has three kinds of funds:

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

The basic governmental fund financial statements can be found on pages 47 – 50 of this report.

The City of Hampton maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general, economic development special revenue fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact the City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains seven individual enterprise funds and HRHA maintains one. Information is presented separately in the proprietary fund statement of net assets, the proprietary fund statement of revenues, expenses and changes in fund net assets and the proprietary fund statement of cash flows for the convention center, the Hamptons, museum, wastewater management and HRHA funds, all of which are considered to be major funds. Data for the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of a combining statement.

The basic proprietary fund financial statements can be found on pages 51 - 55 of this report.

The City uses five internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, computer and telecommunication services, risk management and steam generation. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in the form of a combining statement.

The basic internal service fund financial statements can be found on pages 145 - 149 of this report.

- **Fiduciary funds** – The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and statements of changes in fiduciary net assets. The City excludes these activities from the City's government-wide statements because the City cannot use these assets to finance its operations. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The basic fiduciary funds financial statements can be found on pages 56 and 57 of this report.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I  
Summary of Statement of Net Assets (In Thousands)  
June 30, 2003 and 2002

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2003	2002	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 137,159	\$ 143,385	\$ 130,164	\$ 30,246	\$ 267,323	\$ 173,631	\$ 49,221	\$ 49,224
Capital assets	135,597	125,505	121,796	105,415	257,393	230,920	43,219	42,086
Total assets	<u>272,756</u>	<u>268,890</u>	<u>251,960</u>	<u>135,661</u>	<u>524,716</u>	<u>404,551</u>	<u>92,440</u>	<u>91,310</u>
Other Liabilities	19,684	18,838	11,312	4,835	30,996	23,673	13,467	16,275
Long-term liabilities	179,796	181,925	128,135	29,634	307,931	211,559	19,397	18,142
Total liabilities	<u>199,480</u>	<u>200,763</u>	<u>139,447</u>	<u>34,469</u>	<u>338,927</u>	<u>235,232</u>	<u>32,864</u>	<u>34,417</u>
Net assets:								
Invested in capital assets, net of related debt	(23,248)	(4,920)	87,471	79,729	64,223	74,809	41,556	41,212
Restricted	50,868	31,322	17,148	12,430	68,016	43,752	9,073	972
Unrestricted	45,656	41,726	7,894	9,033	53,550	50,759	8,947	14,709
Total net assets	<u>\$ 73,276</u>	<u>\$ 68,128</u>	<u>\$ 112,513</u>	<u>\$ 101,192</u>	<u>\$ 185,789</u>	<u>\$ 169,320</u>	<u>\$ 59,576</u>	<u>\$ 56,893</u>

The City's combined net assets (which is the City's bottom line) increased by 9.7 percent, or \$16.5 million to \$186 million, of which approximately 29% represents resources that are subject to external restrictions. The largest portion of the City's net assets (35%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens and consequently are not available for future spending. The City's unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – were \$53.6 million.

Table II  
Summary of Changes in Net Assets (In Thousands)  
For the Fiscal Years Ended June 30, 2003 and 2002

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:								
Program revenues:								
Charges for services	\$ 16,851	\$ 15,965	\$ 26,988	\$ 24,889	\$ 43,839	\$ 40,854	\$ 5,475	\$ 5,604
Operating grants and contributions	52,186	49,001	16,890	14,376	69,076	63,377	115,979	109,836
Capital grants and contributions		24	5,558	2,739	5,558	2,763		
General revenues:								
Property taxes	110,700	105,009			110,700	105,009		
Other taxes	54,098	54,569			54,098	54,569		
Grants and contributions not restricted to specific programs	2,775	786			2,775	786		
Other	2,456	4,567	5,564	5,857	8,020	10,424	60,617	58,911
Total revenues	<u>239,066</u>	<u>229,921</u>	<u>55,000</u>	<u>47,861</u>	<u>294,066</u>	<u>277,782</u>	<u>182,071</u>	<u>174,351</u>



Expenses:								
General government	\$ 71,673	\$ 67,760	\$ -	\$ -	\$ 71,673	\$ 67,760	\$ 6,652	\$ 2,542
Public safety	35,779	33,518			35,779	33,518		
Highways and streets	2,170	2,319			2,170	2,319		
Sanitation	1,861	2,023	12,962	12,817	14,823	14,840		
Health	2,843	3,020			2,843	3,020		
Social services	23,313	21,439			23,313	21,439		
Culture and recreation	11,280	10,781	19,131	16,501	30,411	27,282		
Education - payment to School Board	52,588	51,905			52,588	51,905		
Educational	3,339	3,488			3,339	3,488	172,736	164,512
Capital improvements	10,358	8,923			10,358	8,923		
Housing			20,483	20,429	20,483	20,429		
Interest on long-term debt	9,816	8,172	-	-	9,816	8,172	-	-
Total expenses	<u>225,020</u>	<u>213,348</u>	<u>52,576</u>	<u>49,747</u>	<u>277,596</u>	<u>263,095</u>	<u>179,388</u>	<u>167,054</u>
Increase (decrease) in net assets before transfers	14,046	16,573	2,424	(1,886)	16,470	14,687	2,683	7,297
Transfers	<u>(8,897)</u>	<u>(9,567)</u>	<u>8,897</u>	<u>9,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	5,149	7,006	11,321	7,681	16,470	14,687	2,683	7,297
Net assets, July 1	<u>68,127</u>	<u>61,121</u>	<u>101,192</u>	<u>93,511</u>	<u>169,319</u>	<u>154,632</u>	<u>56,893</u>	<u>49,596</u>
Net assets, June 30	<u>\$ 73,276</u>	<u>\$ 68,127</u>	<u>\$ 112,513</u>	<u>\$ 101,192</u>	<u>\$ 185,789</u>	<u>\$ 169,319</u>	<u>\$ 59,576</u>	<u>\$ 56,893</u>

## GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2003, revenues from governmental activities totaled \$239.1 million. Real estate tax revenues, the City's largest revenue source, reflecting the accrual of the last half calendar year 2002 and the first half calendar year 2003 real property tax billing, were \$73.8 million. The City's assessed real property tax base for calendar year 2003 was \$5.9 billion.

In fiscal year 2003, the City reported current year collections of \$29.1 million in personal property taxes, the City's second largest revenue source, and received reimbursement from the Commonwealth of Virginia of \$14.3 million. Under the provisions of the Personal Property Tax Relief Act (PPRTA), the State's share of local personal property tax payment for calendar year 2002 (FY 2003) was approximately 70% percent of most taxpayer's' payments.

For the fiscal year ended June 30, 2003, expenses for governmental activities totaled \$224.3 million, excluding transfers, of which approximately 32% were for general government and 23% for education.

## BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$55.0 million and expenses were \$52.6 million, excluding transfers. The major component of revenues was charges for services (\$27 million), which comprised 48% of total revenues. Housing expenses (\$20 million) comprised the bulk of total expenses at approximately 39%. Capital contributions of \$5.6 million represented land donations, infrastructure additions, building improvements, and low-rent housing construction.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, the governmental funds reflect a combined fund balance of \$97.1 million. Included in this year's total change in fund balance is \$26.9 million of debt issuance proceeds in the debt service and capital projects funds. The primary reason for the General Fund's \$5.1 million increase in fund balance was \$1.5 million in personal property tax revenue in excess of budget and expenditures under budget by \$8.7 million as further discussed below.

Net assets of business-type activities for the fiscal year ending June 30, 2003 increased by 11%, or \$11.3 million, from \$101.2 million to \$112.5 million. This increase is primarily due to the continued development of the Convention Center. The Convention Center project began in 2001 and its estimated completion date is 2005. During fiscal year 2003, a land donation of \$3.8 million and meal and lodging tax collections designated for the center in the amount of \$3.5 million (2% of total collected for the City) significantly increased the Convention Center's net assets.

Other major contributing factors for the increase in business-type net assets include the improvement of museum exhibits and HRHA's increase in federal funding. The Museum's net assets increased \$2.8 million mainly due to contributions or exhibit construction. The Museum is constructing a new Aviation Gallery scheduled to open in November 2003 and has made improvements to existing exhibits and the IMAX theatre. HRHA's net assets increased \$.7 million primarily due to increased earnings from the HUD Section 8 programs. HRHA received additional awards of Housing Choice vouchers, which permitted more residents to utilize the program.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$3,466,244 from designated fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2002 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, City Council appropriated \$892,999 from designated fund balance, which was based on fiscal year 2002 departmental savings. In addition, remaining budget savings of \$2,501,079 from prior fiscal years were rolled over from fiscal year 2002 to fiscal year 2003. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and the remaining balance of 25 percent will return to fund balance. Also, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$9.1 million below the final budget. A significant amount of this variance (\$3.5 million) occurred in the general government function, where savings were noted in fringe benefits from vacant positions and unused budget savings under the City's budget savings program. A \$3.6 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects are reappropriated in the subsequent fiscal year.

Revenues exceeded budget by \$3.3 million. The majority of this increase can be attributed to real estate taxes.

## CAPITAL ASSETS

The total increase in the City's investment in capital assets for the current fiscal year was 11.5%. At the end of fiscal year 2003, the City had invested \$257.4 million in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$26.5 million from the end of last fiscal year.

Table III  
Governmental Funds  
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Non-depreciable assets:						
Land and land improvements	\$ 28,860	\$ 27,742	21,117	\$ 21,608	\$ 49,977	\$ 49,350
Construction in progress	15,356	29,396	19,995	6,559	35,351	35,955
Other capital assets:						
Buildings and improvements	71,563	49,368	75,206	69,111	146,769	118,479
Improvements other than buildings	48,768	47,051	2,238	2,146	51,006	49,197
Equipment and vehicles	50,455	47,637	16,634	14,535	67,089	62,172
Exhibits			6,593	6,590	6,593	6,590
Infrastructure	3,266	1,645	51,893	50,784	55,159	52,429
Accumulated depreciation	(82,671)	(77,334)	(71,880)	(65,918)	(154,551)	(143,252)
Total	<u>\$ 135,597</u>	<u>\$ 125,505</u>	<u>\$ 121,796</u>	<u>\$ 105,415</u>	<u>\$ 257,393</u>	<u>\$ 230,920</u>

Component Units	School Board		Industrial Development Authority		Total	
	2003	2002	2003	2002	2003	2002
Non-depreciable assets:						
Land and land improvements	\$ 5,058	\$ 5,058	\$ 19,050	\$ 19,050	\$ 24,108	\$ 24,108
Construction in progress			1,469	124	1,469	124
Other capital assets:						
Buildings and improvements	49,508	49,508			49,508	49,508
Improvements other than buildings	310	310	383	383	693	693
Equipment and vehicles	27,526	23,940	50	50	27,576	23,990
Accumulated depreciation	(59,717)	(55,921)	(418)	(416)	(60,135)	(56,337)
Total	<u>\$ 22,685</u>	<u>\$ 22,895</u>	<u>\$ 20,534</u>	<u>\$ 19,191</u>	<u>\$ 43,219</u>	<u>\$ 42,086</u>

The City's fiscal year 2004 capital budget sets forth \$3.0 million in road projects; \$1.4 million in community enhancements; \$7.4 million for Bass Pro Shops related infrastructure; and \$114.7 million for the convention center project. Construction began and/or was completed for a variety of street projects, building maintenance and infrastructure, education and other projects. Additional information about the City's capital assets can be found in Note 6 to the financial statements on pages 90 - 95.

#### LONG-TERM DEBT

In October 2002, the City sold \$7.37 million in general obligation bonds. The tax-exempt bonds, which will mature incrementally over the next 20 years, will be used to finance public improvements and assist in the development of the Bass Pro Outdoor World. In November 2002, the City sold \$106.31 million in convention center revenue bonds. These bonds will be used to construct a convention center and related improvements and retire the \$7.585 million revenue bond anticipation note. The bonds will be payable solely from and secured by revenues from the operation of the Convention Center and funds held by the trustee and the City of Hampton under the bond indenture.

At the end of fiscal year 2003, the City had \$183.5 million in outstanding general obligation bonds, an increase of \$15.5 million or 9.2% over that held at June 30, 2002. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements on pages 96 – 111.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10% of assessed valuation of real property. As of June 30, 2003, the City's aggregate general obligation indebtedness is \$398 million below this limit.

Table IV  
City of Hampton  
Change in General Obligation and Revenue Bonds (In Thousands)  
June 30, 2003 and 2002

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General Obligation bonds	\$ 166,238	\$ 168,057	\$ -	\$ -	166,238	\$ 168,057
Revenue bonds			125,834	17,855	125,834	17,855
Less deferred amount for advance refunding	-	-	(1,073)	(1,181)	(1,073)	(1,181)
	-	-	124,761	16,674	124,761	16,674
Total primary government	\$ 166,238	\$ 168,057	\$ 124,761	\$ 16,674	\$ 290,999	\$ 184,731
<b>Component Unit - Industrial Development Authority</b>						
Revenue bonds					\$ 12,194	\$ 12,532

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's staff and City Council considered many factors when developing the fiscal year 2004 budget. One of the major of those factors is the economy.

- Continued growth in the area is expected to continue to increase the tax base. As a result, the City's largest revenue sources, real estate and property taxes, will increase.
- The availability of another revenue source, state shared revenue, is uncertain as the State of Virginia attempts to revamp its budget shortfall. As a result, reduced revenues have shifted the burden to the City to recoup the shortfall in education and constitutional offices. In an attempt to balance the City's budget, the City will increase the following taxes and fees: cigarette, solid waste, emergency 911, stormwater and wastewater.

The fiscal 2004 approved budget for the General Fund is \$326,986,125, a 5.7 percent increase over the fiscal year 2003 budget. New budget initiatives are as follows: funding of 12 new medic firefighters and 5 police officers for a half-year (\$593,000); a pay structure adjustment of 4 percent for public safety and 2 percent for all other permanent full – time employees, merit increases ranging from 1 to 5 percent and 10 percent increase in City's share of health insurance (\$1.6 million); to cover the cost of juveniles to be placed in a new larger detention facility (\$420,000); increased funding to actively market the convention center which will open in fiscal year 2005 (\$440,000); pay the local housing authority for the purchase of the Pine Chapel property (\$400,000). Although approximately \$6 million in internal budget cuts were made to balance the budget, it was still necessary to raise taxes and fees. The cable utility tax was increased by 2 percent, from 5 to 7 percent, generating an estimated \$368,000. The local decal fee was increased by \$2, which will generate an estimated \$200,000. The cigarette tax was increased by 5-cents, an impact of approximately \$348,000. An ambulance fee was approved by City Council to cover the increased emergency medical requirements.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Karl S. Daughtrey, Director of Finance, 22 Lincoln Street, 7<sup>th</sup> Floor, Hampton, Virginia 23669, telephone (757) 727-6230.



**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2003**

**Exhibit A-1**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 67,345,588	\$ 7,992,776	\$ 75,338,364	\$ 4,994,834	\$ 831,805
Cash with fiscal agent	176,244	685,970	862,214		1,571,881
Investments	42,870,846	4,631,457	47,502,303	6,874	133,739
Accounts receivables	19,500,945	2,069,410	21,570,355	527,360	488,756
Lease receivable					20,279,668
Due from component unit	11,916	19,511	31,427		
Due from primary government				19,171	187,341
Internal balances	2,556,275	(2,556,275)			
Due from other governments				8,058,987	
Inventories	218,582	355,240	573,822	226,303	
Prepaid items		2,117	2,117		
Temporarily restricted assets:					
Cash and cash equivalents		11,115,946	11,115,946		820,838
Investments		102,406,351	102,406,351		174,705
Accounts receivable		545	545		
Notes receivable	4,172,459	361,312	4,533,771		1,952,186
Deferred charges	305,986	3,079,852	3,385,838		
Land held for sale					8,946,933
Capital assets, net of accumulated depreciation	135,597,503	121,795,759	257,393,262	22,684,895	20,534,228
Total assets	<u>\$ 272,756,344</u>	<u>\$ 251,959,971</u>	<u>\$ 524,716,315</u>	<u>\$ 36,518,424</u>	<u>\$ 55,922,080</u>
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ 13,749,093	\$ 4,980,141	\$ 18,729,234	\$ 2,325,061	\$ 26,201
Due to other governments		146,490	146,490		
Due to component units	206,512		206,512		
Due to primary government				30,920	507
Deferred revenue	4,186,169	199,469	4,385,638	1,217,687	9,532,097
Matured bonds and coupons payable	20,914		20,914		334,189
Current liabilities payable from restricted assets		5,906,754	5,906,754		
Interfund loans payable	1,521,463	79,484	1,600,947		
Notes and other long-term payables:					
Due within one year	5,668,625	308,171	5,976,796	842,198	
Due in more than one year	7,889,871	2,878,057	10,767,928	6,361,770	
Rebatable interest		188,042	188,042		
Bonds payable:					
Due within one year	11,143,418	1,334,850	12,478,268		385,028
Due in more than one year	155,094,141	123,425,775	278,519,916		11,808,493
Total liabilities	<u>199,480,206</u>	<u>139,447,233</u>	<u>338,927,439</u>	<u>10,777,636</u>	<u>22,086,515</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	(23,248,236)	87,470,970	64,222,734	21,022,421	20,534,228
Restricted for:					
Capital projects	8,205,072	6,985,028	15,190,100		8,809,134
Debt service	32,065,304		32,065,304		
Other purposes	12,524,363	10,162,509	22,686,872		263,785
Unrestricted	43,729,635	7,894,232	51,623,867	4,718,367	4,228,418
Total net assets	<u>73,276,138</u>	<u>112,512,738</u>	<u>185,788,876</u>	<u>25,740,788</u>	<u>33,835,565</u>
Total liabilities and net assets	<u>\$ 272,756,344</u>	<u>\$ 251,959,971</u>	<u>\$ 524,716,315</u>	<u>\$ 36,518,424</u>	<u>\$ 55,922,080</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2003**

**Exhibit A-2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
Primary government:									
Governmental activities:									
General government	\$ 71,673,064	\$ 2,204,276	\$ 9,648,588	\$ -	\$ (59,820,200)	\$ -	\$ (59,820,200)	\$ -	\$ -
Public safety	35,778,750	1,607,556	12,431,839	-	(21,739,355)	-	(21,739,355)	-	-
Highways and streets	2,169,758	-	9,833,826	-	7,664,068	-	7,664,068	-	-
Sanitation	1,860,784	9,634,581	148,625	-	7,922,422	-	7,922,422	-	-
Health	2,842,730	-	2,460	-	(2,840,270)	-	(2,840,270)	-	-
Social services	23,312,808	12,682	19,814,440	-	(3,485,686)	-	(3,485,686)	-	-
Culture and recreation	11,280,650	2,026,630	86,166	-	(9,167,854)	-	(9,167,854)	-	-
Education (payment to school district)	52,587,888	-	-	-	(52,587,888)	-	(52,587,888)	-	-
Education and educational services	3,339,224	1,365,420	220,111	-	(1,753,693)	-	(1,753,693)	-	-
Capital improvements	10,357,719	-	-	-	(10,357,719)	-	(10,357,719)	-	-
Interest on long-term debt	9,816,867	-	-	-	(9,816,867)	-	(9,816,867)	-	-
Total governmental activities	<u>225,020,242</u>	<u>16,851,145</u>	<u>52,186,055</u>	<u>-</u>	<u>(155,983,042)</u>	<u>-</u>	<u>(155,983,042)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Culture and recreation	19,131,113	14,288,503	673,662	3,935,855	-	(233,093)	(233,093)	-	-
Sanitation	12,962,341	10,819,098	-	340,896	-	(1,802,347)	(1,802,347)	-	-
Housing	20,482,917	1,879,940	16,216,149	1,280,964	-	(1,105,864)	(1,105,864)	-	-
Total business-type activities	<u>52,576,370</u>	<u>26,987,541</u>	<u>16,889,811</u>	<u>5,557,715</u>	<u>-</u>	<u>(3,141,303)</u>	<u>(3,141,303)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 277,596,612</u>	<u>\$ 43,838,686</u>	<u>\$ 69,075,866</u>	<u>\$ 5,557,715</u>	<u>(155,983,042)</u>	<u>(3,141,303)</u>	<u>(159,124,345)</u>	<u>-</u>	<u>-</u>
Component units:									
Industrial development	\$ 6,651,529	\$ 138,627	\$ -	\$ -	-	-	-	-	(6,512,902)
Public school system	172,735,976	5,335,924	115,979,219	-	-	-	-	(51,420,833)	-
Total component units	<u>\$ 179,387,505</u>	<u>\$ 5,474,551</u>	<u>\$ 115,979,219</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,420,833)</u>	<u>(6,512,902)</u>

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
General revenues:					
Taxes:					
Property taxes	\$ 110,699,703	\$ -	\$ 110,699,703	\$ -	\$ -
Sales taxes	11,382,849		11,382,849		
Lodging, meal and amusement taxes	15,280,416		15,280,416		
Motor vehicle taxes	3,142,359		3,142,359		
Alcoholic beverage taxes	341,258		341,258		
Other local taxes	23,951,255		23,951,255		
Payments from (to) City of Hampton				52,587,888	7,088,989
Investment earnings	2,826,688	553,223	3,379,911	36,589	963,448
Miscellaneous	1,554,307	5,696,577	7,250,884		5,180
Special item - gain (loss) on disposal of assets	(1,925,408)	(684,309)	(2,609,717)	(65,464)	
Special item - donated property	2,775,292		2,775,292		
Transfers	(8,896,812)	8,896,812	-	-	-
Total general revenues, special items and transfers	<u>161,131,907</u>	<u>14,462,303</u>	<u>175,594,210</u>	<u>52,559,013</u>	<u>8,057,617</u>
Change in net assets	5,148,865	11,321,000	16,469,865	1,138,180	1,544,715
Net assets, beginning	<u>68,127,273</u>	<u>101,191,738</u>	<u>169,319,011</u>	<u>24,602,608</u>	<u>32,290,850</u>
Net assets, ending	<u>\$ 73,276,138</u>	<u>\$ 112,512,738</u>	<u>\$ 185,788,876</u>	<u>\$ 25,740,788</u>	<u>\$ 33,835,565</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2003**

**Exhibit A-3**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 36,485,923	\$ 5,970,189	\$ 1,626,292	\$ 362,929	\$ 8,540,070	\$ 52,985,403
Cash with fiscal agent			20,914	133,080		153,994
Investments	1,346,974		11,184,696	30,339,176		42,870,846
Accounts receivables:						
Taxes (net of allowance for uncollectibles)	7,933,512					7,933,512
Due from other governments	6,038,333					8,826,666
Other	1,459,995	168,364	207	1,500,000	1,288,333	2,547,352
Notes receivable		4,093,921	1,056,565		918,786	5,229,024
Due from other funds	6,685,562	1,340,881		3,102,536	78,538	11,231,668
Due from component units	398	157			102,689	555
Inventories	80,398					80,398
Total assets	<u>\$ 60,031,095</u>	<u>\$ 11,573,512</u>	<u>\$ 13,888,674</u>	<u>\$ 35,437,721</u>	<u>\$ 10,928,416</u>	<u>\$ 131,859,418</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 5,057,856	\$ 101,034	\$ -	\$ 1,167,013	\$ 753,123	\$ 7,079,026
Accrued health insurance	1,626,213					1,626,213
Claims payable	506,215					506,215
Accrued liabilities	448,829				55,946	504,775
Deferred revenue	6,701,069	4,251,924	1,056,565		3,673,960	15,683,518
Due to other funds	6,800,079	3,084		1,892,253	1,825,100	10,520,516
Due to component units	139,325	36,299		11,717	19,171	206,512
Matured bonds and coupons payable	-	-	20,914	-	-	20,914
Total liabilities	<u>21,279,586</u>	<u>4,392,341</u>	<u>1,077,479</u>	<u>3,070,983</u>	<u>6,327,300</u>	<u>36,147,689</u>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Encumbrances	909,516					909,516
Courthouse maintenance	328,558					328,558
Hazmat	9,473					9,473
Debt service			12,811,195			12,811,195
<b>Unreserved:</b>						
<b>Designated for:</b>						
Succeeding fiscal year	8,491,493					8,491,493
Specific projects - Permanent fund					59,007	59,007
Specific projects - Special Revenue funds		1,361,808			605,844	1,967,652
E911 system - Special Revenue funds					758,664	758,664
Construction projects				32,366,738		32,366,738
<b>Undesignated, reported in:</b>						
General fund	29,012,469					29,012,469
Special Revenue funds		5,819,363			3,177,801	8,996,964
Total fund balances	<u>38,751,509</u>	<u>7,181,171</u>	<u>12,811,195</u>	<u>32,366,738</u>	<u>4,801,116</u>	<u>95,711,729</u>
Total liabilities and fund balances	<u>\$ 60,031,095</u>	<u>\$ 11,573,512</u>	<u>\$ 13,888,674</u>	<u>\$ 35,437,721</u>	<u>\$ 10,928,416</u>	<u>\$ 131,859,418</u>

Total fund balances of governmental funds	\$ 95,711,729
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)	126,144,445
Other assets not available to pay current-period expenditures and, therefore, are deferred in the funds. (Note 5)	11,803,335
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	
Net assets on Combining Statement of Net Assets -	
Internal Service Funds	22,708,287
Internal charges eliminated in government-wide statements	(121,447)
Other liabilities not paid from current-period revenues are not reported in the funds for:	
Accrued Interest	(3,087,023)
Interfund balances related to amounts eliminated in the Statement of Net Assets	(830,454)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8)	(177,531,271)
Interfund loans are not due and payable in the current period and are not reported in the funds.	<u>(1,521,463)</u>
Net assets of governmental activities	<u>\$ 73,276,138</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2003**

**Exhibit A-4**

	General Fund	Special Revenue - Economic Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
General property taxes	\$ 110,699,703	\$ -	\$ -	\$ -	\$ -	\$ 110,699,703
Other local taxes	51,979,470				1,202,965	53,182,435
Intergovernmental revenues:						
From the Commonwealth of Virginia	22,369,003				5,108,815	27,477,818
From the Federal government	11,703,747				4,200,914	15,904,661
From other local governments					79,676	79,676
Permits, privilege fees and regulatory licenses	1,448,398					1,448,398
Fines and forfeitures	1,300,113					1,300,113
Revenues from use of money and property	728,476	590,827	978,758	569,533	414,304	3,281,898
Charges for services	2,113,251				3,802,967	5,916,218
Miscellaneous	1,097,297	2,442,866		1,463	3,431,344	6,972,970
Recovered costs	9,219,630	-	398,362	-	-	9,617,992
<b>Total revenues</b>	<b>212,659,088</b>	<b>3,033,693</b>	<b>1,377,120</b>	<b>570,996</b>	<b>18,240,985</b>	<b>235,881,882</b>
<b>Expenditures:</b>						
Current:						
General government	55,213,389	793,191			6,172,561	62,179,141
Public safety	31,702,296				3,500,946	35,203,242
Highways and streets	2,156,733					2,156,733
Sanitation					1,860,784	1,860,784
Health	2,829,940					2,829,940
Social services	18,092,580				5,121,060	23,213,640
Culture and recreation	9,572,641				1,641,053	11,213,694
Education	2,064,821				-	2,064,821
Capital improvements				16,774,810		16,774,810
Debt service:						
Principal retirement			10,891,885			10,891,885
Interest and fiscal charges			8,873,422			8,873,422
<b>Total expenditures</b>	<b>121,632,400</b>	<b>793,191</b>	<b>19,765,307</b>	<b>16,774,810</b>	<b>18,296,404</b>	<b>177,262,112</b>
Excess of revenues over (under) expenditures	91,026,688	2,240,502	(18,388,187)	(16,203,814)	(55,419)	58,619,770
Other financing sources (uses):						
Proceeds from debt issuance and capital leases				7,503,238		7,503,238
Proceeds from refunding bonds			19,319,255			19,319,255
Payment to refunded bond escrow agent			(19,217,699)			(19,217,699)
Transfers in	1,100,000		18,654,511	8,062,063	1,553,031	29,369,605
Transfers in from component unit		90,583				90,583
Transfers out	(34,252,269)	(421,365)		(1,365,815)	(1,226,968)	(37,266,417)
Transfers out to component units	(52,746,541)	(237,657)		(6,783,262)		(59,767,460)
<b>Net other financing sources (uses)</b>	<b>(85,898,810)</b>	<b>(568,439)</b>	<b>18,756,067</b>	<b>7,416,224</b>	<b>326,063</b>	<b>(59,968,895)</b>
<b>Net change in fund balances</b>	<b>5,127,878</b>	<b>1,672,063</b>	<b>367,880</b>	<b>(8,787,590)</b>	<b>270,644</b>	<b>(1,349,125)</b>
Fund balances, beginning of year	33,623,631	5,509,108	12,443,315	41,154,328	4,330,472	97,060,854
Fund balances, end of year	\$ 38,751,509	\$ 7,181,171	\$ 12,811,195	\$ 32,366,738	\$ 4,601,116	\$ 95,711,729

Net change in fund balances - total governmental funds	\$ (1,349,125)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
This is the amount by which new capital assets exceeded capital expenditures in the period. (Note 6)	11,581,808
In the statement of activities, the loss on disposal of capital assets is reported. However in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.	
Cost of capital assets disposed	(2,638,084)
Accumulated depreciation on capital assets disposed	712,676
Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds.	(3,650,338)
Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Debt issuance	(27,402,085)
Repayment of debt principal	29,417,643
Interfund loans related to real property	(2,000,000)
Repayment of interfund loans related to real property.	478,537
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service fund is reported with governmental activities.	125,297
Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest	(148,237)
Amortization of premiums	20,773
Change in net assets of governmental activities	<u>\$ 5,148,865</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2003**

**Exhibit A-5**

ASSETS	Business-Type Activities - Enterprise Funds						Governmental Activities
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Internal Service Funds
Current assets:							
Cash and cash equivalents	\$ -	\$ 900	\$ 298,421	\$ 761,216	\$ 1,584,741	\$ 5,347,498	\$ 7,992,776
Investments					4,631,457		4,631,457
Restricted assets to be used to liquidate current liabilities							
Cash with fiscal agent	314,091		371,879				685,970
Revenue Bond indenture:							22,250
Cash and cash equivalents	1,712						
Other:							1,712
Investments	5,523,922						5,523,922
Accounts receivable			107,055	725,433	78,775	1,158,147	2,069,410
Notes and mortgage receivable				55,549	305,763		361,312
Due from other funds			7,540		1,535,251	64,714	1,607,505
Due from component units						19,511	19,511
Due from other governments							11,361
Inventories		24,820	134,015	86,820	41,797	67,788	355,240
Prepaid expense					2,117		2,117
Total current assets	<u>5,839,725</u>	<u>25,720</u>	<u>918,910</u>	<u>1,629,018</u>	<u>8,179,901</u>	<u>6,657,658</u>	<u>23,250,932</u>
Restricted assets:							
Revenue Bond indenture:							
Cash and cash equivalents		557,640	964,373				1,522,013
Accounts receivable			545				545
Investments	6,902,825		1,737,169				8,639,994
Other:							
Cash and cash equivalents	7,958,866		358,692		1,274,663		9,592,221
Investments	<u>82,973,008</u>				<u>5,269,427</u>		<u>88,242,435</u>
Total restricted assets	<u>97,834,699</u>	<u>557,640</u>	<u>3,060,779</u>		<u>6,544,090</u>		<u>107,997,208</u>
Deferred charges	<u>2,627,543</u>	<u>45,712</u>	<u>406,597</u>				<u>3,079,852</u>
Capital assets:							
Land and improvements	3,822,500	3,635,617	1,921,420	145,615	4,321,109	7,270,791	21,117,052
Buildings and improvements		2,342,593	24,175,629	1,487,916	33,499,507	13,700,449	75,206,094
Improvements other than buildings		5,986	6,800			2,224,831	2,237,617
Equipment		833,638	1,661,925	2,929,928	1,217,684	9,991,012	16,634,187
Construction in progress	15,491,828	3,330	3,967,279	468,212	30,260	34,254	19,995,163
Exhibits			6,593,181				6,593,181
Infrastructure				51,892,526			51,892,526
Less accumulated depreciation		<u>(4,030,931)</u>	<u>(16,578,618)</u>	<u>(20,083,021)</u>	<u>(11,133,566)</u>	<u>(20,053,925)</u>	<u>(71,880,061)</u>
Net capital assets	<u>19,314,328</u>	<u>2,790,233</u>	<u>21,747,616</u>	<u>36,841,176</u>	<u>27,934,994</u>	<u>13,167,412</u>	<u>121,795,759</u>
Total assets	<u>\$ 125,616,295</u>	<u>\$ 3,419,305</u>	<u>\$ 26,133,902</u>	<u>\$ 38,470,194</u>	<u>\$ 42,658,985</u>	<u>\$ 19,825,070</u>	<u>\$ 256,123,751</u>
							<u>\$ 27,149,381</u>



# **LIABILITIES**

## Current liabilities:

Accounts payable	\$ -	\$ 13,689	\$ -	\$ 68,480	\$ 476,454	\$ 760,184	\$ 1,318,787	\$ 675,511
Accrued interest payable		12,275	399,131				411,406	55,970
Accrued leave		16,261		99,635	453,590	248,053	817,539	200,111
Due to other funds		1,841,033	1,070,915	34,198	1,535,251	474,285	4,955,682	173,904
Due to other governments					148,490		148,490	
Deferred revenue					10,304	189,185	199,469	
Current portion of long-term debt	144,850	278,108	990,000	22,612	78,963	128,488	1,643,021	1,724,124
Current liabilities payable from restricted assets								
Accounts payable	1,752,793		371,879				2,124,672	
Accrued interest payable	3,782,082						3,782,082	
Due to other funds	160,000						160,000	
Interfund loans payable					79,484		79,484	
Other liabilities	-	10,435	-	-	2,369,664	52,310	2,432,409	14,249
Total current liabilities	5,839,725	2,171,781	2,831,925	224,925	5,150,200	1,852,485	18,071,041	2,843,869
Bonds payable	108,969,042	2,185,389	12,271,344				123,425,775	
Notes payable					1,080,956	186,000	1,266,956	1,597,225
Obligations under capital leases		1,494,766				116,335	1,611,101	
Rebatable interest	-	-	188,042	-	-	-	188,042	-
Total liabilities	114,808,767	5,851,936	15,291,311	224,925	6,231,156	2,154,820	144,562,915	4,441,094

## **NET ASSETS**

Invested in capital assets, net of related debt	3,822,500	(1,168,030)	8,486,272	36,818,564	26,775,075	12,736,589	87,470,970	8,564,789
Restricted	6,985,028	557,640	3,060,779	400,792	6,544,090		17,548,329	
Unrestricted	-	(1,822,241)	(704,460)	1,025,913	3,108,664	4,933,661	6,541,537	14,143,498
Total net assets	10,807,528	(2,432,631)	10,842,591	38,245,269	36,427,829	17,670,250	111,560,836	22,708,287
Total liabilities and net assets	\$ 125,616,295	\$ 3,419,305	\$ 26,133,902	\$ 38,470,194	\$ 42,658,985	\$ 19,825,070	\$ 256,123,751	\$ 27,149,381

## Net assets of enterprise funds

Amounts reported for business-type activities in the

Statement of Net Assets are different because:

Net revenue of internal service funds are allocated to funds receiving services

Interfund reimbursement for allocated overhead costs

\$ 111,560,836

121,448

830,454

Net assets business-type activities

\$ 112,512,738

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2003**

Exhibit A-6

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Internal Service Funds
Operating revenues:							
Charges for services	\$ -	\$ 817,500	\$ 2,159,699	\$ 4,338,440	\$ 1,879,940	\$ 17,791,962	\$ 26,987,541
Federal revenues	-	-	673,662	-	16,216,149	-	16,889,811
Other	-	-	3,145,484	-	2,333,108	-	5,478,592
Total operating revenues	-	817,500	5,978,845	4,338,440	20,429,197	17,791,962	49,355,944
Operating expenses:							
Personal services	-	354,192	1,069,439	1,814,908	1,460,088	3,349,008	8,047,635
Fringe benefits	-	76,704	317,553	470,176	399,262	933,290	2,196,965
Promoters' fees	-	-	-	-	-	4,822,502	4,822,502
City-sponsored events	-	-	-	-	-	1,142,189	1,142,189
Cost of goods sold	-	-	-	-	-	225,410	480,152
Utilities	-	36,749	136,583	81,430	-	307,638	1,457,771
Insurance	-	28,927	259,290	119,990	741,926	55,529	390,648
Operating supplies	-	11,958	48,932	37,356	-	592,020	412,288
Equipment rental	-	84,685	2,044,785	380,183	-	46,538	45,578
Equipment and building repairs	-	199,149	151,518	15,083	-	1,130,176	852,477
Telephone and postage	-	53,271	130,373	459,237	1,185,454	48,706	121,231
Amusement tax	-	8,029	49,159	17,337	-	747,889	747,889
General expense	-	3,539	-	23,401	4,717,248	363,198	5,107,386
Claims	-	-	-	-	-	3,300,970	3,300,970
Landfill costs	-	-	-	-	-	593,630	1,162,473
Contractual services	-	42,889	437,654	88,500	-	193,429	248,348
Indirect cost	-	-	-	54,919	-	-	10,876,241
Housing assistance payments	-	-	-	-	10,876,241	-	10,876,241
Depreciation and amortization	82,425	319,186	1,088,041	1,060,243	1,014,119	1,591,835	5,153,849
Total operating expenses	82,425	1,217,078	5,731,307	4,822,743	20,449,867	19,625,301	51,728,721
Operating income (loss)	(82,425)	(399,578)	247,538	(284,303)	(20,670)	(1,833,339)	(2,372,777)
Nonoperating revenues (expenses):							
Interest income	105,620	18,388	96,639	1,133	298,912	-	520,692
Interest and fiscal charges	-	(310,910)	(800,203)	(2,354)	(32,669)	(7,797)	(1,153,933)
Other	-	-	123,569	57,231	-	37,185	217,985
Gain (loss) on sale of capital assets	-	3,267	(12,371)	131,077	(806,282)	-	(684,309)
Net increase (decrease) in fair value of investments	-	-	32,531	-	-	-	32,531
Net nonoperating revenues (expenses)	105,620	(289,255)	(559,835)	187,087	(540,039)	29,388	(1,067,034)
Income (loss) before operating transfers and capital contributions	23,195	(688,833)	(312,297)	(97,216)	(560,709)	(1,803,951)	(3,439,811)
Capital contributions	3,822,500	-	-	337,925	1,280,964	116,326	5,557,715
Transfers in (out)	3,492,875	455,000	3,103,937	-	-	1,845,000	8,896,812
Change in net assets	7,338,570	(233,833)	2,791,640	240,709	720,255	157,375	11,014,716
Net assets, beginning of year	3,468,958	(2,198,798)	8,050,951	38,004,560	35,707,574	17,512,875	100,546,120
Net assets, end of year	\$10,807,528	\$ (2,432,631)	\$10,842,591	\$38,245,269	\$36,427,829	\$ 17,670,250	\$111,560,836
Change in net assets - total enterprise funds							\$ 11,014,716
Amounts reported for business-type activities in the Statement of Activities are different because:							
Internal service funds are used by management to charge the costs of certain activities to individual funds.							
The net revenue of the internal service fund is reported with governmental activities.							57,936
Interfund reimbursement for allocated overhead costs							248,348
Change in net assets of business-type activities							\$ 11,321,000

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Fiscal Year Ended June 30, 2003**

**Exhibit A-7**

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Internal Service Funds
<b>Cash flows from operating activities:</b>							
Cash received from customers	\$ -	\$ 821,512	\$ 6,028,562	\$ 4,183,247	\$ 1,878,509	\$ 17,897,084	\$ 30,618,914
Grants received					16,320,844		16,320,844
Cash payments to suppliers for goods and services		(571,886)	(3,693,160)	(2,718,926)	(9,200,073)	(15,192,125)	(31,376,170)
Cash payments to employees for services		(430,196)	(982,593)	(1,801,637)	(2,315,403)	(3,302,051)	(8,831,880)
Other receipts (payments)				57,231	(4,022,011)		(3,964,780)
Net cash provided by (used in) operating activities		(180,570)	1,352,809	(270,085)	2,661,866	(797,092)	2,766,928
<b>Cash flows from noncapital financing activities:</b>							
Transfers in from other funds	3,620,844	455,000	3,103,937			2,000,000	9,179,581
Cash paid to other funds						(155,000)	(155,000)
Net cash provided by (used in) noncapital financing activities	3,620,844	455,000	3,103,937			1,845,000	9,024,581
<b>Cash flows from capital and related financing activities:</b>							
Acquisition and construction of capital assets	(5,538,741)	(27,102)	(2,799,293)	(831,252)	(3,361,146)	(364,133)	(12,921,667)
Principal paid on revenue bond maturities and long-term debt	(7,585,000)	(266,008)	(940,000)	(21,465)	(3,073,845)	(110,847)	(11,997,165)
Interest paid on revenue bonds and long-term debt		(311,885)	(800,203)	(2,354)	(32,689)	(7,797)	(1,154,908)
Proceeds from issuance of revenue bonds and long-term debt	106,403,924				893,414		107,297,338
Capital grants				1,979	1,320,865		1,322,844
Proceeds from sale of capital assets					1,806,708		1,806,708
Net cash provided by (used in) capital and related financing activities	93,280,183	(604,995)	(4,539,496)	(853,092)	(2,446,673)	(482,777)	84,353,150
<b>Cash flows from investing activities:</b>							
Purchase of investment securities	(103,319,154)		(8,675,000)		(328,948)		(112,323,102)
Sale of investment securities	7,155,268		8,697,381				15,852,649
Interest and dividends on investments	(736,847)	18,388	98,340		298,912		(321,207)
Proceeds from collection of loans							
Interest received on lease receivable				1,133			1,133
Net cash provided by (used in) investing activities	(96,900,733)	18,388	120,721	1,133	(30,036)		(96,790,527)
<b>Net increase (decrease) in cash and cash equivalents (including restricted amounts)</b>	<b>94</b>	<b>(312,177)</b>	<b>37,971</b>	<b>(1,122,044)</b>	<b>185,157</b>	<b>565,131</b>	<b>(645,868)</b>
Cash and cash equivalents (including restricted), July 1	1,618	870,717	1,955,394	1,883,260	2,674,247	4,782,367	12,167,603
Cash and cash equivalents (including restricted), June 30	\$ 1,712	\$ 558,540	\$ 1,993,365	\$ 761,216	\$ 2,859,404	\$ 5,347,498	\$ 11,521,735
							\$ 14,382,435

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Convention Center	The Hamptons	Museum	Wastewater Management	HRHA	Other Proprietary Funds	Internal Service Funds
Operating income (loss)	<u>\$ (82,425)</u>	<u>\$ (399,578)</u>	<u>\$ 247,538</u>	<u>\$ (284,303)</u>	<u>\$ (20,670)</u>	<u>\$ (1,833,339)</u>	<u>\$ 847,052</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization expense	82,425	319,186	1,086,041	1,060,243	1,014,119	1,591,835	2,025,599
Decrease (increase) in:							
Accounts receivable			(73,852)	(154,676)	98,086	(197,017)	(16,462)
Notes receivable				9,482	35,331		44,813
Due from other funds	127,769	746		4,613	184,081	(14,164)	1,519,079
Due from component units							(552)
Due from other governments					396,936		396,936
Inventories		2,680	(11,291)	(5,844)	(16,982)	1,138	(30,299)
Prepaid expenses and other assets	(2,627,543)				46,063		(2,581,480)
Increase (decrease) in:							
Accounts payable	1,737,807	(31,135)		(79,969)	70,218	(34,135)	1,662,786
Accrued leave		2,013		5,194	(33,931)	9,483	(17,241)
Due to other funds		(76,004)	(206,329)	(582,056)	(184,081)	(463,046)	(1,811,516)
Due to other governments					(505,730)		(505,730)
Other liabilities		(1,745)			1,650,627	12,890	1,661,772
Deferred revenue					(30,300)	92,076	61,776
Current liabilities payable from restricted assets			187,133				187,133
Due to/from other funds reported as nonoperating activities	(127,769)						(127,769)
Accounts receivable reported as nonoperating activities							46,547
Prepaid expense reported as nonoperating activities	2,627,543						(290)
Accounts payable reported as nonoperating activities	(1,737,807)						2,627,543
Long-term accrued insurance claims reported as operating activity							(1,737,807)
Nonoperating revenues reported as operating revenues	-	3,267	123,569	57,231	(39,901)	37,187	121,305
Total adjustments	<u>82,425</u>	<u>219,008</u>	<u>1,105,271</u>	<u>14,218</u>	<u>2,682,536</u>	<u>1,036,247</u>	<u>5,139,705</u>
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ (180,570)</u>	<u>\$ 1,352,809</u>	<u>\$ (270,085)</u>	<u>\$ 2,661,866</u>	<u>\$ (797,092)</u>	<u>\$ 2,766,928</u>
Non-cash transactions affecting investing capital and related financing activities:							
Acquisition of fixed assets through capital contributions	\$ 3,822,500		\$ -	\$ 337,925	\$ 1,280,964	\$ 116,326	\$ 5,557,715
Additional infrastructure assets located through current year mapping				158,229			\$ 16,741
Net increase (decrease) in fair value of investments	-	-	32,531	-	-	-	32,531
Total non-cash transactions	<u>\$ 3,822,500</u>	<u>\$ -</u>	<u>\$ 32,531</u>	<u>\$ 496,154</u>	<u>\$ 1,280,964</u>	<u>\$ 116,326</u>	<u>\$ 5,590,246</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2003**

**Exhibit A-8**

	Pension Trust Fund Employees' Retirement System	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,571,565	\$ 265,010
Investments:		
Bonds	83,179,986	
Common stock	67,462,935	
Guaranteed investment contracts	947,513	
Receivables:		
Accrued interest	1,427,890	
Dividends	23,632	
Accounts	3,060	-
Total assets	<u>160,616,581</u>	<u>\$ 265,010</u>
<b>LIABILITIES</b>		
Deposits		\$ 226,772
Accounts payable	515,103	29,798
Due to other funds	51	8,440
Total liabilities	<u>515,154</u>	<u>\$ 265,010</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	<u>\$ 160,101,427</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**Fiscal Year Ended June 30, 2003**

**Exhibit A-9**

	<u>Pension Trust Fund Employees' Retirement System</u>
<b>ADDITIONS</b>	
Investment income:	
Net depreciation in fair value of investments	\$ 3,931,682
Interest	5,305,165
Dividends	674,065
Other	<u>18,508</u>
Total investment earnings	9,929,420
Less investment expenses	<u>(567,486)</u>
Net investment earnings	<u>9,361,934</u>
Total additions	<u>9,361,934</u>
<b>DEDUCTIONS</b>	
Benefits	11,950,360
Administrative expenses	<u>186,779</u>
Total deductions	<u>12,137,139</u>
Change in net assets	(2,775,205)
Net assets, July 1	<u>162,876,632</u>
Net assets, June 30	<u>\$ 160,101,427</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND**  
**Fiscal Year Ended June 30, 2003**

Exhibit A-10

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts			
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State funds	\$ 23,080,482	\$ 23,306,915	\$ 22,369,003	\$ (937,912)
Federal funds (includes pass through)	9,165,190	11,050,124	11,703,747	653,623
Local taxes	158,957,279	158,957,279	162,679,173	3,721,894
Licenses and permits	1,401,604	1,401,604	1,448,398	46,794
Fines and forfeitures	1,024,677	1,024,677	1,300,113	275,436
Revenue from use of money and property	1,913,664	1,913,664	728,476	(1,185,188)
Charges for services	1,772,690	1,772,690	2,113,251	340,561
Recovered costs	8,206,158	8,614,512	9,219,630	605,118
Miscellaneous	1,269,891	1,273,393	1,097,297	(176,096)
Total revenues	206,791,635	209,314,858	212,659,088	3,344,230
Expenditures:				
Current:				
General government	58,687,769	58,699,094	55,213,389	(3,485,705)
Public safety	29,623,424	32,324,479	31,702,296	(622,183)
Highways and streets	2,249,859	2,252,688	2,156,733	(95,955)
Health	2,906,931	2,889,575	2,829,940	(59,635)
Social services	16,547,063	18,803,683	18,092,580	(711,103)
Culture and recreation	9,077,117	10,051,574	9,572,641	(478,933)
Education	2,058,527	2,135,060	2,064,821	(70,239)
Total expenditures	121,150,690	127,156,153	121,632,400	(5,523,753)
Excess of revenues over (under) expenditures	85,640,945	82,158,705	91,026,688	8,867,983
Other financing sources (uses):				
Transfers from (to) component units	(52,628,336)	(52,823,336)	(52,746,541)	(76,795)
Transfers in	1,000,000	1,000,000	1,100,000	100,000
Transfers out	(34,012,609)	(37,785,467)	(34,252,269)	(3,533,198)
Total other financing sources (uses)	(85,640,945)	(89,608,803)	(85,898,810)	(3,709,993)
Excess of revenues and other sources over (under) expenditures and other uses	-	(7,450,098)	5,127,878	\$ 12,577,976
Appropriations from fund balance		8,359,614		
Appropriations - encumbrances		(909,516)		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
Fund balance - July 1	-	-	33,623,631	
Fund balance - June 30	\$ -	\$ -	\$ 38,751,509	

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The City of Hampton, Virginia (the "City"), was incorporated on March 30, 1908. Its boundaries were extended on July 1, 1952 through the annexation of Elizabeth City County and the Town of Phoebus. The City has operated under its current charter since December 16, 1952. Hampton is a full-service City of 145,200 people. It is comprised of 72 square miles situated at the southeastern tip of the lower Peninsula of Virginia.

The City operates under the Council-Manager form of government. The City's legislative power is vested in the elected seven-member City Council. City Council appoints the City Manager who is the Chief Executive and Administrative Officer of the City.

The following is a summary of the significant accounting policies.

**Reporting Entity**

The accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB).

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). As a result of adopting GASB No. 34, the Comprehensive Annual Financial Report includes:

**Management's Discussion and Analysis (MD&A)**

MD&A is a narrative introduction and analytical overview of the City's financial activities similar to the analysis provided by publicly traded companies in their annual reports.



**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENT, Continued**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Government-wide Financial Statements**

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructures, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

The basic financial statements are composed of both government-wide and fund financial statements. The government-wide statements, the Statement of Net Assets and the Statement of Activities, report information on all of the nonfiduciary activities of the City and its component units. As a general rule the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely primarily on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds: the General Fund, the Economic Development Special Revenue Fund, the Debt Service Fund and the Capital Projects Fund. Major enterprise funds are: the Convention Center Fund, The Hamptons Fund, the Virginia Air and Space Center Museum Fund, the Wastewater Management Fund and the Hampton Redevelopment and Housing Authority Fund (blended component unit).

### Statement of Net Assets

The Statement of Net Assets is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense in the Statement of Activities. The net assets of a government will be displayed in three categories – invested in capital assets net of related debt, restricted and unrestricted.

### Statement of Activities

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of the individual functions is compared to the revenues directly generated by the function, through user fees or intergovernmental grants.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included in program revenues are classified as general revenues.

### Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budget and have a keen interest in following the actual financial progress of their governments over the course of the year. The City revises its original budget over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget to actual results.

As required by GAAP, these statements present the funds, organizations, activities and functions of the City of Hampton, Virginia (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationship with the City, as defined in GASB No. 14, *The Reporting Entity*.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENT, Continued**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Individual Component Unit Disclosures

Hampton Redevelopment and Housing Authority

The Hampton Redevelopment and Housing Authority (HRHA) is a legally separate public corporation, which is established under the laws of the Commonwealth of Virginia to provide low rent housing for qualified individuals in accordance with the rules and regulations prescribed by the U.S. Department of Housing and Urban Development.

HRHA's fiscal year of January 1 to December 31 differs from the City's fiscal year of July 1 to June 30. The Authority is included as a part of the primary government because HRHA's seven-member governing board is substantially the same as Hampton's City Council. HRHA is required to make annual payments in lieu of taxes to the City. The City is not fiscally responsible for HRHA's operating funds or debt.

A copy of the separately issued financial statements for HRHA may be obtained by writing to HRHA, 22 Lincoln Street, Hampton, Virginia 23669 or by calling (757) 727-6337.

Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the City's other component units. They are reported as a separate column to emphasize that they are legally separate units. The governing bodies of these component units were appointed by the City Council or elected by the voters of the City of Hampton, Virginia.

### Hampton City School Board

The Hampton City School Board (School Board) oversees the operations of and establishes educational policies for the City's public school system. School Board members are elected by the voters of the City of Hampton, Virginia. The School Board has no power to levy taxes or issue bonds. Its budget is subject to approval by the City Council; however, Council only approves, rejects, or modifies the single amount requested by the School Board. City Council does not have the authority to modify individual line items of the School Board's budget. The School Board has complete discretionary authority to expend the amount appropriated by the City.

### Hampton Industrial Development Authority

The Hampton Industrial Development Authority (IDA) is a legally separate public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The IDA was established to promote and develop trade within the City by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City. The IDA is included in the City's reporting entity because the City is able to impose its will on the IDA by appointment of the governing body. In addition, the City Council funds IDA's operating budget and receives all revenues derived from IDA land sales. Therefore, the IDA is financially dependent on the City.

### Other Related Organizations

The financial statements of the following public organizations, commissions, authorities and boards are not included in the reporting entity. The organizations are political subdivisions created under the laws of the Commonwealth of Virginia. Their governing boards are appointed, at least in part, by the City. The City's responsibility in most instances is limited to pro rata representation through appointments to the governing boards. The individual governing boards of the organizations appoint management, establish budgetary control and are accountable for their own fiscal affairs including deficits, debt service, operating costs, etc. The City is not able to impose its will on the organizations and the organizations neither provide a financial benefit nor pose a financial burden on the City.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Peninsula Airport Commission

The Peninsula Airport Commission (PAC) operates the Newport News/Williamsburg International Airport. Board membership is allocated among and appointed by the various localities. The PAC's operating and capital expenditures, including debt service, are financed by its operations and contributions from the participating localities. The City has no budgetary authority, is not responsible for deficits or debt service and cannot set rates for services or uses of the airport facilities.

Other

Certain other agencies and commissions service the City of Hampton and surrounding localities. Board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsulas Public Service Authority (VPPSA) and the Peninsula Alliance for Economic Development (PAED). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2003, the City provided operating and capital support of \$1,468,976 to HRT, \$117,522 to HRPDC, \$8,500 to VPPSA, and \$310,500 to PAED.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The Hampton-Newport News Community Services Board (CSB) operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the *Code of Virginia*, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,222,603 to CSB during fiscal year 2003.

### Basis of Accounting

The basis of accounting applied to a fund and discretely presented component units is determined by the measurement focus. Basis of accounting refers to when revenues, expenditures and expenses, transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements.

All Governmental Funds, Permanent Fund and Discretely Presented Component Unit - School Board are accounted for using the current financial resources measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

The government-wide financial statements, all Proprietary Funds, the Pension Trust Fund, and Discretely Presented Component Unit – IDA are accounted for using the economic resources measurement focus. This measurement focus is the same as that used by commercial enterprises. All assets and liabilities associated with the activity are included on their balance sheets. Their operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund and Discretely Presented Component Unit - School Board.

### Budgets and Budgetary Accounting

The City's procedures for establishing the budgetary data reflected in the financial statements for the General Fund and School Operating Fund are as follows:

1. Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager or his designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Operating Fund.
6. Budgets for the General and School Operating Funds are legally adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal 2003. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

Annual budgets are not adopted for Debt Service Funds because effective control is alternatively achieved through general obligation bond indenture provisions. Annual budgets are not employed for Special Revenue Funds and Capital Projects Funds because each program grant or capital project is approved separately.

**General Property Tax Calendar**

Real property is assessed at fair market value as of July 1 of each year; personal property and public service corporation properties (real and personal) are assessed as of January 1 of each year. Taxes are levied on a fiscal-year basis for real property and a calendar-year basis for personal property. Taxes are due and payable in two equal installments on June 5 and December 5. The City Treasurer mails tax bills to the taxpayers on May 5 for tax payments due June 5 and on November 5 for tax payments due December 5.

Penalties are assessed at 10% of the tax due for real estate and personal property on installments which are not paid by the due date. Interest at 10% per year for real and personal property is charged on installments unpaid. A lien is recorded on all real property for which delinquent real estate taxes are not paid within three years.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and School Operating Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**Investments**

Investments of the Hampton Employees' Retirement System are stated at fair value, except for the guaranteed insurance company contract, which is stated at amortized cost. Investments of the Debt Service Fund consist of U.S. Treasury Bonds and are stated at fair value. All other investments are generally stated at fair value, except for short-term cash equivalents, which are stated at cost.



### Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$3,200,343. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

### Inventories

The inventories reflected in the Enterprise Funds and School Funds consist principally of food items and items held for resale and are valued at cost (first-in, first-out). The Hampton Redevelopment and Housing Authority Fund's inventory consists of consumable supplies valued at cost. The General Fund's inventory consists of consumable supplies valued at cost (first-in, first-out). The Internal Service Funds' inventories consist principally of expendable items held for consumption and are valued by the average-cost method. Inventories are recognized as expenditures when consumed or sold.

### Land Held for Resale

Land held for resale by the Industrial Development Authority is stated at cost or, if donated, at fair market value as of the date received. Development costs of the IDA are added to the cost of the land when incurred. Total land and development costs are allocated to total saleable acreage under development and are charged to expenses on a prorated basis when the land is sold.

### Interfund Activity

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

**Restricted Assets**

Restricted assets represent the following invested assets set aside in Convention Center, The Hamptons (Golf Course) and Virginia Air and Space Center and Hampton Roads History Center (the Museum) Enterprise Funds, HRHA, and discretely presented component unit – IDA.

	<u>Convention Center</u>	<u>The Hamptons</u>	<u>Museum</u>	<u>HRHA</u>	<u>Total Enterprise Funds</u>	<u>Component Unit - IDA</u>
Restricted Assets						
Cash:						
Operating and Maintenance Account	\$	\$ 36,930	\$ 358,692	\$	\$ 395,622	\$
Operating Reserve Fund	6,902,825				6,902,825	
Bond Fund	88,812,733	194,275	1,103,085		90,110,093	
Debt Service Reserve Fund	7,958,866	326,435	85,752		8,371,053	820,838
Rebate Account			147,415		147,415	
HUD Low-Rent Housing				389,807	389,807	
HUD Revolving Loan				884,856	884,856	
Accounts Receivable			545		545	
Investments:						
Debt Service Reserve Fund			1,737,169		1,737,169	174,705
HUD Low-Rent Housing				5,269,427	5,269,427	
	<u>\$ 103,674,424</u>	<u>\$ 557,640</u>	<u>\$ 3,432,658</u>	<u>\$ 6,544,090</u>	<u>\$ 114,208,812</u>	<u>\$ 995,543</u>

The assets for Convention Center, The Hamptons, Museum and IDA are classified as restricted since their use is limited by the Bond Trust Indenture.

### General Capital Assets

Capital outlays in the General, Special Revenue and Capital Projects Funds are recorded as expenditures and capitalized (recorded and accounted for) in the government-wide financial statements to the extent the City's capitalization threshold is met. The threshold is \$2,500 for assets other than computer equipment and infrastructure. Computer equipment having a cost of \$1,000 or more is capitalized. In accordance with GASB 34, public domain ("infrastructure") assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets dedicated directly to public service, have been capitalized beginning in fiscal year 2002 to the extent such improvements met the capitalization threshold, generally \$10,000. Infrastructure assets acquired in earlier fiscal years will be capitalized in accordance with transition provisions of GASB No. 34. Depreciation is recorded on general capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10-40 years
Improvements other than buildings	10-25 years
Equipment and vehicles	3-20 years
Infrastructure	15-75 years

All capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Historical cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Gifts and contributions are recorded at fair market value at the time received. When governmental fund assets are sold or retired, their costs are removed from the accounts and the proceeds, if any, are reflected in revenues currently.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued:

**Enterprise Funds' and Internal Service Funds' Capital Assets**

Enterprise Funds' and Internal Service Funds' property and equipment are stated at cost. Cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	3-40 years
Improvements other than buildings	15-50 years
Equipment and vehicles	2-20 years
Exhibits	7-10 years
Infrastructure	15-50 years

The Landfill in the Solid Waste Fund is recorded at cost and amortized by the straight-line method based on tonnage received in relation to total expected capacity.

When Enterprise Funds' and Internal Service Funds' capital assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the statement of revenues, expenses and changes in fund net assets currently.

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in its proprietary funds. During fiscal year ended June 30, 2003, \$3,010,525 of net interest costs were capitalized in the Convention Center Fund.

## Deferred Revenue

Deferred revenue consists of the following:

### Primary Government:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Property taxes accrued but not collected within 45 days	\$ 5,904,976	\$	\$	\$
Advance property tax collections	683,165			
Accounts receivable			356,423	
Notes receivable		1,056,565	5,256,112	
Advance ticket sales				189,165
Unearned grant funds			2,162,272	
Unearned rental income			151,077	
Unearned miscellaneous income	112,928			10,304
Total Primary Government	<u>\$ 6,701,069</u>	<u>\$ 1,056,565</u>	<u>\$ 7,925,884</u>	<u>\$ 199,469</u>

### Discretely Presented Component Unit:

	<u>School Board</u>
Unearned grant funds	\$ 1,217,686
Tuition	28,497
Total Discretely Presented Component Unit	<u>\$ 1,246,183</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:**

**Fund Equity**

Reserves - The fund balance reserved for the employee retirement system represents net assets available to fund future plan benefits. Reserves for encumbrances represent amounts which have been contractually committed for future years. The fund balance reserved for debt service represents assets deposited in a bond sinking fund. The reserve for Courthouse maintenance represents amounts legally imposed and assessed as part of the costs incidental to criminal and traffic cases which can only be used for the construction, renovation or maintenance of the Courthouse or Jail. The reserve for Hazmat represents amounts recovered by the City pursuant to the Code of Virginia as reimbursement for costs expended by the City for certain hazardous materials and emergency clean-up activities. All funds collected shall be used for hazardous materials emergencies and to recoup costs associated with a response to a hazardous materials emergency.

Designated Fund Balances - Fund balance designations are established to indicate tentative plans for financial resource utilization in future periods. Designation of fund balance under the General Fund represents amounts appropriated by City Council for the succeeding fiscal year. Designations in the Special Revenue Funds, the Capital Projects Fund, and Component Unit-School Board represent unexpended appropriations at June 30, 2003 authorized to be expended in the next fiscal year or when the applicable projects are completed.

### Net Assets- Enterprise Funds and Internal Service Funds

The net assets at June 30, 2003 in the Enterprise Funds are as follows:

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
Coliseum Fund	\$ 9,437,756	\$
Golf and Tennis Center	2,812,900	
The Hamptons	(2,432,631)	
Museum	10,842,591	
Solid Waste	5,419,594	
Convention Center Fund	10,807,528	
HRHA	36,427,829	
Wastewater Management	38,245,269	
Industrial Development Authority		33,835,565

The deficit in The Hamptons Fund is primarily attributable to accumulated depreciation charges on capital assets and/or current year net operating losses. Net operating losses before depreciation are usually funded in the succeeding year by operating transfers from the General Fund or by increases in user charges.

The net assets in the Internal Service Funds are as follows:

Equipment Replacement	\$ 14,098,488
Central Garage	248,572
Risk Management	3,839,921
Refuse-Steam Plant	4,185,018
Information Services	336,288

CITY OF HAMPTON, VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS, Continued  
June 30, 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Concluded:

Pension Expense

The City has pension plans covering substantially all City and School employees. Pension costs are accrued using actuarially determined rates, which include current costs plus amortization of prior service costs. The City's policy is to fund pension costs accrued for all plans.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2003 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements.

Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, proprietary fund types follow all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989.



## **2. BASIS OF PRESENTATION - FUND ACCOUNTING:**

The accompanying financial statements include all funds and component units of the City of Hampton.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, fund equity, revenues and expenditures or expenses. The following is a description of the funds included in the accompanying financial statements.

### **General Fund**

The General Fund accounts for all revenues and expenditures of the City which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, revenues from other governmental units and recovered costs.

A significant part of the General Fund's revenue is transferred to other funds, principally to fund the operations of the City of Hampton Public Schools and debt service requirements of the City.

Expenditures include, among other things, those for general government, public safety, highways and streets, sanitation, welfare, health and culture and recreation.

### **Special Revenue Funds**

Special Revenue Funds account for the revenues and expenditures related to the operations of the Federal Grants Fund, the Community Development Fund, the Economic Development Fund, EXCEL, Enhanced Emergency Telephone Service Fund, Stormwater Management Fund, the Pembroke Complex Fund and the Law Library Fund.

The Federal Grants Fund accounts for revenues and expenditures of all federal grants awarded to the City except the Community Development entitlement. Federal grants received by the Component Unit - School Board are included in the discretely presented component unit.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

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**2. BASIS OF PRESENTATION - FUND ACCOUNTING, Continued:**

The Community Development Fund accounts for revenues and expenditures related to entitlements received by the City under the Community Development Act of 1974, administered by the U.S. Department of Housing and Urban Development.

The Economic Development Fund was established to finance the costs of capital investments, capital improvements, capital expenditures and any other approved expenditures which will assist economic development and improve the physical appearance of the City. Revenues are from unrestricted land sales, special assessments, projects financed by the fund and unrestricted rental receipts.

The EXCEL Fund (Environmental Excellence for Community Enjoyment and Livability) accounts for capital investments, capital improvements, program grants or other City Council approved expenditures which improve social, recreational or cultural opportunities for the citizens of Hampton. The fund receives 100% of the revenues generated by the City's cable franchise fees. City Council will make appropriations to the Fund from the General Fund whenever the franchise fee revenues are not sufficient to finance approved projects and activities.

The Enhanced Emergency Telephone Service Fund accounts for revenues and expenditures associated with establishing an enhanced 911 emergency telephone system. Revenues are derived from a special tax imposed and levied upon purchasers of telephone services in the City.

The Stormwater Management Fund accounts for revenues and expenditures related to maintaining the Stormwater Management System. Revenues are derived from a service charge levied on all developed property in the City.

The Pembroke Complex Fund accounts for the receipts and disbursements related to the operations of the Pembroke Community Service Center. The facility is owned by the Hampton Redevelopment and Housing Authority and maintained by the City from the rents charged to the various tenants of the building.

The Law Library Fund accounts for receipts and disbursements of funds specifically held for the purpose of purchasing law books.

The Hampton City School Board, a legally separate organization, is included in the financial statements as governmental fund type, discretely presented component unit.

#### Permanent Fund

Permanent funds are a fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the City or its citizenry.

The Pearl I. Young Fund accounts for interest earned on principal funds and authorized disbursements of funds bequeathed to the City to purchase City bus stop shelters.

#### Debt Service Funds

The Debt Service Funds account for the accumulation of resources for, and the payment of, general obligation debt service of the City. Primary resources of the Debt Service Funds are derived from transfers from the General Fund and the proceeds of any refunding bond issues.

#### Capital Projects Funds

Capital Projects Funds account for all general City and School construction projects which are financed through general obligation debt and general operating funds, with the exception of projects related to Enterprise and Internal Service Funds.

#### Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of operating and providing services to the general public are completely or partially financed from user charges; or (b) where the governing body has determined that the periodic determination of net results of operations is appropriate for management control and accountability.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

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**2. BASIS OF PRESENTATION - FUND ACCOUNTING, Concluded:**

The City's Enterprise Funds account for the operations of the Hampton Coliseum, Hampton Golf and Tennis Center, The Hamptons (Golf Course), the Solid Waste Fund, the Virginia Air and Space Center and Hampton Roads History Center (Museum), Convention Center Fund, Wastewater Management Fund and the Hampton Industrial Development Authority (discretely presented component unit). Revenues of the Hampton Coliseum, Hampton Golf and Tennis Center, The Hamptons (Golf Course), the Solid Waste Fund and the Wastewater Management Fund are derived primarily from user fees.

The Museum's operating revenue is derived from donations and user fees, including \$673,662 in federal funds from the National Aeronautics and Space Administration for educational/user fee subsidy. The fund accounts for all operational and Revenue Bond Trust activity.

The Convention Center Fund was established to account for the construction and operation of the Convention Center. Revenues will be derived from user fees and meal and lodging taxes.

The Industrial Development Authority, a legally separate organization, was established under the Industrial Development and Revenue Bond Act of the Code of Virginia and ordinances adopted by Hampton City Council, is responsible for promoting industry and developing trade by inducing private enterprises to remain or relocate in the City. Its income is derived from appropriations from the City, fees and land sales, and rental of property. The IDA is included in the financial statements as a discretely presented component unit.

HRHA, a legally separate organization, has been included in the financial statements as a blended component unit (see Note 1 on reporting entity). HRHA is a public corporation that operates and administers public housing and other urban development programs in the City.

**Internal Service Funds**

The Internal Service Funds account for the services provided to substantially all City departments or other governmental units on a cost-reimbursement basis.

The Equipment Replacement Fund owns all on-road rolling stock of the City and leases the equipment to the various operating departments. Leasing income is used for replacement of the equipment.

The Central Garage Fund accounts for the operation of the City's central automotive maintenance service facility.

The Risk Management Fund accounts for the costs of providing insurance coverage and certain self-insured liabilities of the City and the School Board.

The Refuse-Steam Plant Fund accounts for the operation of the City's steam generating plant. Revenues are derived from the sale of steam to the United States Government, a solid waste disposal fee (tipping fee) charged to the Solid Waste Fund and user fees charged to external customers.

The Information Services Fund accounts for the costs of providing the following services: personal computer support, printing and mailing, and telecommunications services.

#### Trust and Agency Funds

The Trust and Agency Funds consist of the Hampton Employees' Retirement System, the Special Welfare Fund, and Other Agency Fund.

The Hampton Employees' Retirement System accounts for the revenues and expenditures related to the City-sponsored retirement plan, which is administered by a board of trustees appointed by City Council.

The Special Welfare Fund accounts for receipts and disbursements for special assistance programs and activities sponsored by the City's social services department.

The Other Agency Fund accounts for receipts and disbursements related to the Peninsula Drug Task Force and Rent-a-Teen Program.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**3. INTERFUND BALANCES:**

Interfund Receivables and Payables

Primary Government:

	<u>Due From</u>	<u>Due To</u>
General	\$ 6,685,562	\$ 6,800,079
Special Revenue:		
Federal Grants	43,495	1,465,290
Community Development		2,218
Economic Development	1,340,881	3,084
EXCEL	18,283	186,992
Enhanced Emergency Telephone Service		15,996
Stormwater Management	40,911	137,125
Pembroke Complex		15,031
Law Library		2,448
Capital Projects	3,102,536	1,892,253
Enterprise:		
Coliseum	8,542	16,925
Convention Center		160,000
Golf and Tennis Center	28	375,700
The Hamptons		1,841,033
Museum	7,540	1,070,915
Solid Waste	56,144	81,660
Wastewater Management		34,198
HRHA	1,535,251	1,535,251
Internal Service:		
Equipment Replacement	1,828,592	
Central Garage	89,978	96,424
Risk Management	836,200	279
Refuse-Steam Plant	184,863	74,873
Information Technology	39,787	2,328
Trust and Agency:		
Pension Trust Fund		51
Special Welfare		6,200
Other Agency Fund		2,240
Total Primary Government	<u>15,818,593</u>	<u>15,818,593</u>

Interfund Receivables and Payables

**Component Unit:**

	<u>Due From</u>	<u>Due To</u>
School Board Operating	\$ 8,448,474	\$ 1,478,667
Student Activities	85,631	123,585
Food Services	15,415	1,036,685
Reimbursable Projects	1,402,806	7,313,389
Total Component Unit	<u>9,952,326</u>	<u>9,952,326</u>
Total Reporting Entity	<u>\$ 25,770,919</u>	<u>\$ 25,770,919</u>

Receivable and payable balances between the primary government and component units are as follows:

	<u>Due From Primary Government</u>	<u>Due To Component Unit</u>	<u>Due From Component Unit</u>	<u>Due To Primary Government</u>
Primary Government – General Fund	\$	\$ 139,325	\$ 398	\$
Primary Government – Federal Grants		19,171		
Primary Government – Economic Development		36,299	157	
Primary Government – Capital Projects Fund		11,717		
Primary Government – Solid Waste			19,511	
Primary Government – Central Garage			11,286	
Primary Government – Information Services			75	
Component Unit – School Board Operating Fund				30,920
Component Unit – Food Services	19,171			
Component Unit – IDA	<u>187,341</u>			<u>507</u>
Total	<u>\$ 206,512</u>	<u>\$ 206,512</u>	<u>\$ 31,427</u>	<u>\$ 31,427</u>

The primary government entered into an interfund loan with its blended component unit, HRHA. The primary government is indebted to HRHA for a note in the amount of \$2,000,000 for the acquisition of real property. At June 30, 2003, the outstanding balance was \$1,600,000. This interfund loan was not eliminated on the Statement of Net Assets since the transaction occurred after the end of HRHA's fiscal year.

HRHA entered into an interfund loan with the primary government, under which HRHA is indebted to the primary government for a note in the amount of \$100,000 related to real property. At June 30, 2003, the outstanding balance was \$78,538 on the records of the primary government and \$79,484 was outstanding on the records of HRHA at December 31, 2002. The interfund loan was eliminated to the extent of \$78,537 on the Statement of Net Assets.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**4. DEPOSITS AND INVESTMENTS:**

The City maintains a cash and investment pool for all funds, except for the Pension Trust Fund - Employees' Retirement System and HRHA. The cash and investments of these funds are held separately from other City funds. Each fund's portion of the pool is disclosed on the appropriate balance sheet. At year end, the City maintained \$12,000,000 in compensating cash balances in banks.

For purposes of reporting cash flows, cash and cash equivalents include demand deposits, certificates of deposit, money market funds and repurchase agreements.

Deposits: At year-end, the carrying amount of deposits with banks and savings institutions was \$21,536,810 and the bank balance was \$17,793,416. Of the bank balance, \$17,793,416 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

The carrying amount of deposits for the School Board, a discretely presented component unit, was \$743,535 and the bank balance was \$7,460,017. Of the bank balance, \$7,460,017 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.



The carrying amount of deposits for the Industrial Development Authority, a discretely presented component unit, was \$831,805 and the bank balance was \$831,805. Of the bank balance, \$831,805 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act.

Investments: Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Virginia General Assembly has authorized the Treasury Board to have regulatory oversight of the LGIP. The LGIP is managed in accordance with the Security and Exchange Commission Rule 2a7 of the Investment Company Act of 1940. Investments in the LGIP are valued at amortized cost. The net asset value of the LGIP is determined by adding the amortized cost value of all portfolio securities and other assets, deducting actual and accrued liabilities, and dividing by the number of shares outstanding. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or agent, but not in the City's name.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**4. DEPOSITS AND INVESTMENTS, Continued:**

Reporting Entity:	C A T E G O R Y			Carrying Amount	Fair Value
	1	2	3		
<u>Primary Government:</u>					
Repurchase agreements	\$	\$	\$ 1,516,794	\$ 1,516,794	\$ 1,516,794
Commercial papers	4,620,558			4,620,558	4,630,958
U.S. Government securities	39,275,273			39,275,273	39,243,886
U.S. Government securities - HRHA	3,610,863			3,610,863	3,610,863
Corporate bonds and debentures	66,113,114			66,113,114	66,092,727
Common stocks	67,462,935			67,462,935	67,462,935
Total Primary Government	181,082,743		1,516,794	182,599,537	182,558,163
<u>Discretely Presented Component Units:</u>					
Repurchase Agreements			4,258,173	4,258,173	4,258,173
U.S. Government securities	174,705			174,705	174,705
Common stocks	50,000			50,000	50,000
Total Component Units	224,705		4,258,173	4,482,878	4,482,878
Total subject to categorization	\$ 181,307,448	\$	\$ 5,774,967	187,082,415	187,041,041

	<u>Carrying Amount</u>	<u>Fair Value</u>
Total from previous page	\$ 187,082,415	\$ 187,041,041
<u>Investments not subject to categorization:</u>		
Investment in mutual and money market funds - City	39,416,144	39,416,144
Investment in mutual and money market funds - HRHA	1,989,976	1,989,976
Investment in mutual and money market funds - Discretely Presented Component Units	2,476,458	2,476,458
Guaranteed Investment Contracts (GIC)	947,513	947,513
State Local Government Investment Pool - City	29,902,825	29,902,825
State Local Government Investment Pool - HRHA	1,542,974	1,542,974
State Non-Arbitrage Fund - City	118,716,408	118,716,408
Cash deposits - City	15,920,335	15,920,335
Cash deposits - HRHA	5,616,475	5,616,475
Cash deposits - Discretely Presented Component Units	<u>1,575,340</u>	<u>1,575,340</u>
	<u>218,104,448</u>	<u>218,104,448</u>
Total cash and investments including restricted assets per Exhibits A-1 and A-8	<u>\$ 405,186,863</u>	<u>\$ 405,145,489</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**4. DEPOSITS AND INVESTMENTS, Concluded:**

The amount of ownership of cash and investments in the various credit risk categories of the City, by fund, is displayed in the following table:

	Amount of Ownership			Mutual and Money Market Funds	Cash Deposits
	CATEGORY				
	1	2	3		
<u>Primary Government:</u>					
Fiduciary Funds:					
Employees' Retirement System	\$ 150,642,921	\$	\$	\$ 8,495,817	\$ 23,261
Other Trust and Agency Funds					265,010
Governmental Fund Types:					
General Fund	13,591,700		1,516,794	20,618,326	2,106,077
Special Revenue Funds – Economic Development				5,000,000	970,189
Debt Service Fund	11,184,696			1,482,211	164,995
Capital Projects Fund				30,472,256	362,929
Non-major Governmental Funds				5,500,000	3,040,070
Proprietary Fund Types:					
Enterprise Funds	2,052,563			105,914,280	757,871
Non-major Enterprise Funds				5,000,000	347,498
Enterprise Funds - HRHA	3,610,863			3,532,950	5,616,475
Internal Service Funds				6,500,000	7,882,435
Totals-Primary Government	<u>181,082,743</u>		<u>1,516,794</u>	<u>192,515,840</u>	<u>21,536,810</u>
<u>Discretely Presented Component Units:</u>					
School Board			4,258,173		743,535
IDA	<u>224,705</u>			<u>2,476,458</u>	<u>831,805</u>
Totals-Component Units	<u>224,705</u>		<u>4,258,173</u>	<u>2,476,458</u>	<u>1,575,340</u>
Total cash and investments	<u>\$ 181,307,448</u>	<u>\$</u>	<u>\$ 5,774,967</u>	<u>\$ 194,992,298</u>	<u>\$ 23,112,150</u>

5. **ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2003 in the Governmental Funds are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Primary Government:</u>					
General property taxes (net of allowance for uncollectible taxes of \$3,200,343)	\$ 7,933,512	\$	\$	\$	\$
Due from Commonwealth of Virginia	6,038,333	670,545			1,500,000
Due from federal government		617,788			
Other	<u>1,459,995</u>	<u>1,087,125</u>	<u>25</u>	<u>207</u>	
Total Primary Government	<u>\$ 15,431,840</u>	<u>\$ 2,375,458</u>	<u>\$ 25</u>	<u>\$ 207</u>	<u>\$ 1,500,000</u>
<u>Discretely Presented Component Unit - School Board:</u>					
Due from Commonwealth of Virginia		\$ 2,331,429			
Due from federal government		5,520,828			
Due from other localities		6,507			
Other		<u>727,583</u>			
Total Component Unit		<u>\$ 8,586,347</u>			

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**6. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2003 was as follows:

**Primary Government:**

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 27,741,737	\$ 1,135,638	\$ (17,776)	\$ 28,859,599
Construction in progress	29,396,017	5,596,047	(19,635,748)	15,356,316
Total capital assets not being depreciated	57,137,754	6,731,685	(19,653,524)	44,215,915
Capital assets being depreciated:				
Buildings	49,368,718	24,764,826	(2,570,250)	71,563,294
Improvements	47,051,556	1,716,427		48,767,983
Machinery & Equipment	47,636,725	3,682,089	(863,974)	50,454,840
Infrastructure	1,645,051	1,621,425	-	3,266,476
Total capital assets being depreciated	145,702,050	31,784,767	(3,434,224)	174,052,593
Less accumulated depreciation for:				
Buildings	(22,823,625)	(1,416,246)	657,844	(23,582,027)
Improvements	(14,222,676)	(1,822,215)	3,876	(16,041,015)
Machinery & Equipment	(40,256,227)	(3,516,781)	850,248	(42,922,760)
Infrastructure	(31,910)	(93,293)	-	(125,203)
Total accumulated depreciation	(77,334,438)	(6,848,535)	1,511,968	(82,671,005)
Total capital assets being depreciated, net	68,367,612	24,936,232	(1,922,256)	91,381,588
Governmental activities capital assets, net	\$ 125,505,366	\$ 31,667,917	\$ (21,575,780)	\$ 135,597,503
Net capital assets for Governmental Activities is composed of the following:				
General capital assets	\$ 126,144,445			
Internal Service Funds	9,453,058			
	<u>\$ 135,597,503</u>			

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 21,607,575	\$ 4,636,406	\$ (5,126,929)	\$ 21,117,052
Construction in progress	<u>6,558,696</u>	<u>15,103,373</u>	<u>(1,666,906)</u>	<u>19,995,163</u>
Total capital assets not being depreciated	<u>28,166,271</u>	<u>19,739,779</u>	<u>(6,793,835)</u>	<u>41,112,215</u>
Capital assets being depreciated:				
Buildings	69,110,877	6,817,011	(721,794)	75,206,094
Improvements	2,145,953	91,664		2,237,617
Machinery & Equipment	15,634,409	1,021,662	(21,884)	16,634,187
Exhibits	6,590,460	2,721		6,593,181
Infrastructure	<u>50,784,229</u>	<u>1,183,811</u>	<u>(75,514)</u>	<u>51,892,526</u>
Total capital assets being depreciated	<u>144,265,928</u>	<u>9,116,869</u>	<u>(819,192)</u>	<u>152,563,605</u>
Less accumulated depreciation for:				
Buildings	(28,229,900)	(2,317,852)	99,284	(30,448,468)
Improvements	(3,227,921)	(253,436)		(3,481,357)
Machinery & Equipment	(12,776,870)	(1,487,983)	21,884	(14,242,969)
Exhibits	(5,960,040)	(113,969)		(6,074,009)
Infrastructure	<u>(16,822,374)</u>	<u>(847,785)</u>	<u>36,901</u>	<u>(17,633,258)</u>
Total accumulated depreciation	<u>(67,017,105)</u>	<u>(5,021,025)</u>	<u>158,069</u>	<u>(71,880,061)</u>
Total capital assets being depreciated, net	<u>77,248,823</u>	<u>4,095,844</u>	<u>(661,123)</u>	<u>80,683,544</u>
Business-type activities capital assets, net	<u>\$ 105,415,094</u>	<u>\$ 23,835,623</u>	<u>\$ (7,454,958)</u>	<u>\$ 121,795,759</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**6. CAPITAL ASSETS, Continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

	General Capital Assets	Internal Service Funds	Total
<b>Governmental activities:</b>			
General government	\$ 2,759,523	\$ 2,025,601	\$ 4,785,124
Health	12,790		12,790
Public welfare	99,168		99,168
Public safety	597,069		597,069
Streets and highways	13,025		13,025
Culture and recreation	66,956		66,956
Education	1,274,403	-	1,274,403
Total depreciation expense - governmental activities	<u>\$ 4,822,934</u>	<u>\$ 2,025,601</u>	<u>\$ 6,848,535</u>
<b>Business - type activities:</b>			
Culture and recreation	\$ 1,881,395		
Sanitation	2,125,511		
Housing	1,014,119		
Total depreciation expense - business-type activities	<u>\$ 5,021,025</u> *		

\* Depreciation expense in the amount of \$25,270 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	\$ 16,774,810
Depreciation expense	(4,822,934)
Capital assets contributed	4,368,471
Capital outlay not capitalized	<u>(4,738,539)</u>
Total adjustment	<u>\$ 11,851,808</u>



**Discretely Presented Component Units**

**School Board:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,058,366	\$ -	\$ -	\$ 5,058,366
Total capital assets not being depreciated	<u>5,058,366</u>	<u>-</u>	<u>-</u>	<u>5,058,366</u>
Capital assets being depreciated:				
Buildings	49,507,691			49,507,691
Improvements	310,100			310,100
Machinery & Equipment	<u>23,940,366</u>	<u>4,700,208</u>	<u>(1,115,066)</u>	<u>27,525,508</u>
Total capital assets being depreciated	<u>73,758,157</u>	<u>4,700,208</u>	<u>(1,115,066)</u>	<u>77,343,299</u>
Less accumulated depreciation for:				
Buildings	(41,958,944)	(930,845)		(42,889,789)
Improvements	(11,629)	(15,505)		(27,134)
Machinery & Equipment	<u>(13,950,785)</u>	<u>(3,898,663)</u>	<u>1,049,601</u>	<u>(16,799,847)</u>
Total accumulated depreciation	<u>(55,921,358)</u>	<u>(4,845,013)</u>	<u>1,049,601</u>	<u>(59,716,770)</u>
Total capital assets being depreciated, net	<u>17,836,799</u>	<u>(144,805)</u>	<u>(65,465)</u>	<u>17,626,529</u>
School Board capital assets, net	<u>\$ 22,895,165</u>	<u>\$ (144,805)</u>	<u>\$ (65,465)</u>	<u>\$ 22,684,895</u>

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Capital outlay	\$ 4,700,208
Depreciation expense	<u>(4,845,013)</u>
Total adjustment	<u>\$ 144,805</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**6. CAPITAL ASSETS, Concluded:**

**Industrial Development Authority:**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 19,049,951	\$ -	\$ -	\$ 19,049,951
Construction in progress	123,606	1,345,149	-	1,468,755
Total capital assets not being depreciated	19,173,557	-	-	20,518,706
Capital assets being depreciated:				
Improvements	383,042	-	-	383,042
Machinery & Equipment	50,080	-	-	50,080
Total capital assets being depreciated	433,122	-	-	433,122
Less accumulated depreciation for:				
Improvements	(383,042)	-	-	(383,042)
Machinery & Equipment	(32,591)	(1,967)	-	(34,558)
Total accumulated depreciation	(415,633)	(1,967)	-	(417,600)
Total capital assets being depreciated, net	17,489	(1,967)	-	15,522
Industrial Development Authority capital assets, net	\$ 19,191,046	\$ (1,967)	\$ -	\$ 20,534,228

**Construction in Progress**

Several capital projects were in various stages of completion at June 30, 2003. In accordance with the City's accounting policies and practices, these projects will remain in construction in progress until completion, at which time they will be transferred into the various capital asset accounts in the government-wide statements and Enterprise and Internal Service Funds. At June 30, 2003, construction in progress by project was comprised as follows:

	Project Authorization	Expended to June 30, 2003	Commitments (Encumbrances)	Required Future Funding
<u>General Capital Assets</u>				
Less Secure Detention Facility	\$ 1,107,084	\$ 1,107,084	\$ -	\$ -
Jail Improvement	6,714,000	6,404,977		
Circuit Court	980,655	619,377		
City Hall Repairs	3,960,620	2,103,725		
Pump Station	21,328	21,328		
Old Hampton Courthouse	417,124	407,805		
Public Building Roofs	682,176	682,176		
Macy Carmel Center	277,063	277,063		
Community Service Center	701,904	320,317		
Fire Station Repairs	412,903	412,903		
Public Safety Building	10,145	10,145		
Youth Services Building	10,675	10,675		
Community Corrections	49,201	49,201		
Willow Oaks Library	6,975	6,975		
School Roof and Window Replacements	8,444,787	475,448		
Lindsay Middle School Community Center	3,000,000	1,713,536	-	
Refuse-Steam Plant Upgrade	5,000,000	733,581	-	-
	<u>\$ 31,796,640</u>	<u>\$ 15,356,316</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Enterprise Funds</u>				
Museum Exhibits	\$ 3,967,279	\$ 3,967,279	\$ -	\$ -
HRHA	30,260	30,260		
Wastewater Management Sewer Projects	748,820	468,212		
The Hamptons Canopy	3,330	3,330		
Coliseum Dressing Room Renovations	431,926	34,254		
Convention Center	100,597,771	15,491,828	52,017,680	-
	<u>\$ 105,779,386</u>	<u>\$ 19,995,163</u>	<u>\$ 52,017,680</u>	<u>\$ -</u>
<u>Discretely Presented Component Unit - IDA</u>				
Hampton Roads Center North Infrastructure	<u>\$ 1,468,755</u>	<u>\$ 1,468,755</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**7. BUDGETARY - GAAP REPORTING RECONCILIATION:**

The City adopts an annual budget for the General Fund, but does not adopt an annual budget for any of the Special Revenue Funds. Resources are provided for and appropriated individually throughout the year as they become available to the City. The General Fund budget basis and GAAP are substantially the same.

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT:**

The following is a summary of the changes in general obligation debt and other indebtedness during the year ended June 30, 2003:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due after One Year
Governmental Activities:						
Bonds payable:						
Serial bonds	\$ 158,540,000	\$ 25,710,000	\$ (28,105,000)	\$ 156,145,000	\$ 10,470,000	145,675,000
Unamortized premium	33,857	1,100,559	(20,773)	1,113,643	98,387	1,015,256
Bonds payable (VRS)	9,517,351		(538,435)	8,978,916	575,031	8,403,885
Capital leases	2,234,288		(125,757)	2,108,531	134,083	1,974,448
Long-term notes payable	2,635,128		(460,401)	2,174,727	372,401	1,802,326
Literary loans payable	1,892,577		(188,050)	1,704,527	188,050	1,516,477
Compensated absences	4,550,170	5,593,405	(4,838,250)	5,305,325	3,418,264	1,887,061
Claims and judgments	2,514,049	848,914	(1,098,179)	2,264,784	1,555,827	708,957
Net pension obligation	<u>7,710</u>	<u>-</u>	<u>(7,108)</u>	<u>602</u>	<u>-</u>	<u>602</u>
Governmental activities long-term liabilities	<u>\$ 181,925,130</u>	<u>\$ 33,252,878</u>	<u>\$ (35,381,953)</u>	<u>\$ 179,796,055</u>	<u>\$ 16,812,043</u>	<u>\$ 162,984,012</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.

Balances at June 30, 2003:

Long-term liabilities (detail above)

Less claims and judgments - Internal Service Fund

Combined adjustment

\$ 179,796,055

(2,264,784)

\$ 177,531,271

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due after One Year
Business-type Activities:						
Bonds payable:						
Revenue bonds	\$ 17,855,000	\$ 106,305,000	\$ (1,135,000)	\$ 123,025,000	\$ 1,190,000	121,835,000
Unamortized premium		2,897,009	\$ (88,117)	2,808,892	144,850	2,664,042
Less deferred amount for advance refunding	<u>(1,180,524)</u>	<u>-</u>	<u>107,257</u>	<u>(1,073,267)</u>	<u>-</u>	<u>(1,073,267)</u>
Total bonds payable	16,674,476	109,202,009	(1,115,860)	124,760,625	1,334,850	123,425,775
Capital leases	1,702,635	154,995	(110,321)	1,747,309	136,208	1,611,101
Long-term notes payable:						
City	7,957,000		(7,678,000)	279,000	93,000	186,000
HRHA	3,113,261	412,731	(2,366,074)	1,159,918	78,963	1,080,955
Rebatable interest	<u>186,875</u>	<u>1,167</u>	<u>-</u>	<u>188,042</u>	<u>-</u>	<u>188,042</u>
Business-type activities long-term liabilities	<u>\$ 29,634,247</u>	<u>\$ 109,770,902</u>	<u>\$ (11,270,255)</u>	<u>\$ 128,134,894</u>	<u>\$ 1,643,021</u>	<u>\$ 126,491,873</u>
Component Units:						
School Board:						
Compensated absences	\$ 4,736,259	\$ 805,234	\$ -	\$ 5,541,493	\$ -	\$ 5,541,493
Capital leases	<u>873,816</u>	<u>1,641,132</u>	<u>(852,473)</u>	<u>1,662,475</u>	<u>842,198</u>	<u>820,277</u>
Total School board	<u>\$ 5,610,075</u>	<u>\$ 2,446,366</u>	<u>\$ (852,473)</u>	<u>\$ 7,203,968</u>	<u>\$ 842,198</u>	<u>6,361,770</u>
Industrial Development Authority:						
Revenue bonds payable	<u>\$ 12,531,821</u>	<u>\$ -</u>	<u>\$ (338,300)</u>	<u>\$ 12,193,521</u>	<u>\$ 257,355</u>	<u>11,936,166</u>
Total Industrial Development Authority	<u>\$ 12,531,821</u>	<u>\$ -</u>	<u>\$ (338,300)</u>	<u>\$ 12,193,521</u>	<u>\$ 257,355</u>	<u>\$ 11,936,166</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

**Enterprise Funds:**

On November 13, 1996, the City increased the line-of-credit with a bank from \$3,000,000 to \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development.

On November 14, 1995, the City borrowed \$930,000 under the line-of-credit for the purchase of land for the Solid Waste Fund. This note payable of \$279,000 as of June 30, 2003 is payable in annual principal installments of \$93,000 through November 14, 2005, plus interest accrued weekly at 95% of the LIBOR rate. This note is secured by the full faith and credit of the City.

On August 31, 1999, the City issued \$3,195,000 in Golf Course Refunding Revenue Bonds, Series 1999 with an interest rate of 6% to advance refund \$3,105,000 of outstanding Revenue Bonds with interest rates of 6.5% and 7.625%. At June 30, 2003, \$2,455,000 in Golf Course Refunding Revenue Bonds remain outstanding.

The unamortized amount deferred on the refunding of \$69,611 is reported in the accompanying financial statements as a reduction of bonds payable and is being charged to operations through the year 2013, using the interest method.

The Golf Course Refunding Revenue Bonds are subject to redemption by December 1 of each year, from amounts to be deposited in the Bond Retirement Account pursuant to the Indenture of Trust.

In January 1994, the City of Hampton Museum Revenue Bonds dated January 1, 1994 (Series 1994) were issued and recorded in the Museum Enterprise Fund.

In prior years, the City defeased certain Museum Revenue Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2003, \$3,000,000 of bonds outstanding are considered defeased. The unamortized amount deferred on the refunding of \$1,003,656 is reported in the accompanying financial statements as a reduction of bonds payable, and is being charged to operations through the year 2014 using the straight-line interest method.

Details at June 30, 2003 are as follows:

	<u>Series 1994</u>
Outstanding debt	\$ 14,265,000
Interest rate	4.4% to 5.25%
Dates of maturity	2003 - 2014

The Series 1994 Museum Revenue Bonds were issued by the City pursuant to an Indenture of Trust, dated February 1, 1989 as supplemented, between the City of Hampton and First Union National Bank of Virginia, as trustee. The bonds were issued as fully registered bonds in denominations of \$5,000 and multiples thereof. Interest is due semi-annually on each January 1 and July 1. The bonds are payable solely from, and collateralized by, revenues derived by the City from ownership and operation of the project and nonrequired appropriations by the City pursuant to its moral obligation pledge.

The Museum Revenue Bonds Indenture of Trust requires that all funds from operation be accounted for in a revenue fund and applied, to the extent monies are available, to funds and accounts created by the indenture.

On March 1, 2001, the City issued \$7,585,000 in Revenue Bond Anticipation Notes with an interest rate of 4.96%. The Note was issued for the purpose of financing preliminary costs in connection with a convention center. Interest is payable semi-annually on March 1 and September 1. The Note was redeemed on November 22, 2002.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Convention Center Revenue Bonds (Bonds) were issued pursuant to an Indenture of Trust, dated November 1, 2002, between the City of Hampton and Wachovia Bank, National Association, as trustee. Bonds in the amount of \$106,305,000 were issued with interest ranging from 3.50% to 5.25%. Interest on the Bonds is due and payable semi-annually on each January 15 and July 15. The proceeds of the Bonds are to be used to finance the cost of the construction of a convention center, to retire a \$7,585,000 Revenue Bond Anticipation Note issued in connection with the project and to pay interest on the Series 2002 Bonds. The bonds are payable solely from and collateralized by, revenues derived by the City from ownership and operation of the project.

The Convention Center Revenue Bonds Indenture of Trust requires that all funds from operation be accounted for in a revenue fund and applied, to the extent monies are available, to funds and accounts created by the indenture.

Revenue bond debt service requirements to maturity are as follows:

Fiscal year ending	Principal (*)	Interest
June 30		
2004	\$ 1,190,000	\$ 7,401,861
2005	1,255,000	6,287,694
2006	1,315,000	6,274,944
2007	1,385,000	6,261,594
2008	1,455,000	6,247,494
2009-2013	15,225,000	28,950,544
2014-2018	15,135,000	24,629,720
2019-2023	19,530,000	19,960,593
2024-2028	23,045,000	14,533,544
2029-2033	29,515,000	8,064,750
2034-2035	13,975,000	1,056,750
	123,025,000	129,669,488
Less interest component	-	(129,669,488)
Total future debt service	\$ 123,025,000	\$ -

(\*) This includes sinking fund payments for Museum Revenue Bonds.



The City has entered into several lease purchase agreements in its Enterprise Funds. The following is a summary of those agreements:

<u>Description</u>	<u>Wastewater Management</u>	<u>The Hamptons</u>	<u>Golf and Tennis Center</u>	<u>Total</u>
Capital lease for excavator dated April 2000 with interest, payable in 12 equal monthly payments of \$1,985	\$ 23,820	\$	\$	\$ 23,820
Capital lease for Toro riding mowers at Woodlands Golf Course dated February 2003 payable in 55 equal monthly payments of \$2,841			156,255	156,255
Capital lease for Golf Course Clubhouse Facility dated July 1990 with interest at 9.875%, payable in 144 equal monthly payments of \$18,581		2,675,664		2,675,664
Capital lease for Toro riding mowers at The Hamptons and Woodlands Golf Courses dated November 1, 1999 with interest at 6.2% payable in 17 equal monthly payments of \$1,129		9,597	9,596	19,193
Totals (including interest)	23,820	2,685,261	165,851	2,874,932
Less: Interest	(1,208)	(1,111,869)	(13,511)	(1,126,589)
Totals (excluding interest)	<u>\$ 22,612</u>	<u>\$ 1,573,392</u>	<u>\$ 152,340</u>	<u>\$ 1,748,343</u>

Debt service on capital leases payable during future fiscal years ending June 30 is as follows:

<u>Year</u>	
2004	\$ 294,432
2005	262,709
2006	257,064
2007	257,064
2008	242,859
2009 – 2013	1,114,860
2014 – 2015	445,944
	<u>2,874,932</u>
Less interest	<u>(1,126,589)</u>
	<u>\$ 1,748,343</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Rebate Liabilities:

The City's estimated rebate liabilities at June 30, 2003 for the Museum Fund were \$188,042. Management's estimate of the liability was made in accordance with Internal Revenue Service regulations.

Discretely Presented Component Unit - IDA:

On April 11, 1997, the Industrial Development Authority issued \$1,745,000 of Industrial Development Revenue Bonds. The proceeds from the bond issue were used to acquire and improve land and building for lease to Whitney Rand Manufacturing Corporation. The bonds are payable from revenues generated from the lease of the land and building with the lease term being equivalent to the life of the bond issue. Principal and interest are due monthly.

On September 7, 2001, The Industrial Development Authority issued Lease Revenue Bonds in the amount of \$11,286,888. The proceeds from the bond issue were used to finance the construction of the Peninsula Workforce Development Center. The bonds are payable from revenues generated from the lease of the building with the lease term being equivalent to the life of the bond issue. On each January 1 and July 1 beginning January 1, 2002, to and including January 1, 2021, the IDA shall pay semi-annual installments of principal and interest in the amount of \$495,030.

Details at June 30, 2002 are as follows:

	<u>1997 Revenue Bonds</u>		<u>2002 Revenue Bonds</u>
	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Tax-Exempt</u>
Outstanding Debt	\$ 239,695	\$ 1,248,828	\$ 10,704,998
Interest	8%	6.98%	6.17%
Dates of Maturity	2003 - 2018	2003 - 2018	2003 - 2022

Debt service on the foregoing debt during future years is as follows:

<u>Year</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 257,355	770,519
2005	410,153	745,394
2006	436,613	718,934
2007	464,791	690,756
2008	494,555	660,992
2009 - 2013	2,996,544	2,781,191
2014 - 2018	4,059,192	1,678,262
2019 - 2022	3,074,318	390,889
	<u>\$ 12,193,521</u>	<u>\$ 8,436,937</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

**Blended Component Unit – HRHA:**

As explained in Note 1, under the section regarding the reporting entity, the Hampton Redevelopment and Housing Authority (HRHA) is included in the financial statements as a blended component unit. The following is a description of debt of HRHA that has been blended into the City's (the primary government):

**Virginia Housing and Development Authority Mortgage Notes:**

As of December 31, 2002, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$207,004. The note is payable in monthly installments of \$1,918. The monthly installments due within the next twelve months are \$23,016. The interest rate on the note is 7.684% and the payments are for 476 months beginning on January 1, 1979. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2003	\$ 6,991
2004	7,583
2005	8,175
2006	8,844
2007	9,565
2008 – 2012	60,875
2013 – 2017	90,083
2018	<u>14,888</u>
	<u>\$ 207,004</u>

As of December 31, 2002, HRHA was indebted to the Virginia Housing Development Authority for a mortgage note of \$158,355. The note is payable in monthly installments of \$1,994. The interest rate on the note is at 2% and is for 180 months beginning May 1, 1994. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2003	\$ 23,691
2004	24,169
2005	24,657
2006	25,154
2007	26,574
2008 – 2009	<u>34,110</u>
	<u>\$ 158,355</u>

Other Notes:

As of December 31, 2002, HRHA was indebted to SunTrust Bank for mortgage financing secured on commercial space in the amount of \$794,559. The interest rate is 4.42% and payable in 120 monthly installments of \$6,869. Maturities for future years are as follows:

<u>Year</u>	<u>Principal</u>
2003	\$ 48,281
2004	50,459
2005	52,736
2006	55,113
2007	57,600
2008 – 2012	329,394
2013 – 2015	<u>200,976</u>
	<u>\$ 794,559</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

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**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

Internal Service Funds:

The note payable of \$1,056,565 in the Refuse-Steam Plant represents an amount payable to the Debt Service Fund. The Refuse-Steam Plant was advanced \$1,056,565 from the April 2002 General Obligation Bond issue to make certain required capital improvements to its facilities. The note is to be repaid in semi-annual installments, which includes interest. These installments will be used to meet a pro-rata share of the annual debt service costs on the General Obligation Series 2002 Bonds. This note payable was excluded from governmental activities' long-term liabilities since it was eliminated against the related notes receivable in the statement of net assets for governmental activities.

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2003 the liability for existing claims amounted to \$2,264,784. Workmen's compensation benefit claims are payable weekly or monthly through 2012.

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>Accrued Insurance Claims</u>
2004	\$ 1,555,827
2005	145,522
2006	138,373
2007	100,288
2008	90,517
2009 – 2012	<u>234,257</u>
	<u>\$ 2,264,784</u>

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2003 are as follows:

General Obligation Bonds Outstanding	\$156,145,000
Coupon interest rate	2.0% to 8.10%
Dates of maturity	2003 - 2022

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

Year	General Obligation Bonds	
	Principal	Interest
2004	\$ 10,470,000	\$ 7,565,713
2005	9,975,000	7,167,551
2006	10,490,000	6,703,135
2007	21,605,000	6,231,571
2008	9,025,000	5,166,994
2009 – 2013	43,715,000	19,539,217
2014 – 2018	34,035,000	8,995,788
2019 – 2022	16,830,000	1,725,500
	<u>\$ 156,145,000</u>	<u>\$ 63,095,469</u>

On January 30, 2003, the City issued \$18,340,000 in Public Improvement Refunding Bonds (Bonds) with interest ranging from 2.00% to 4.25%. The proceeds of the bonds will be used to defease \$18,400,000 of the City's Public Improvement Bonds, Series A and Public Improvement Refunding Bonds, Series C, originally dated November 1, 1993 and maturing August 1, 2005 through August 1, 2013. The Refunded Bonds will be redeemed on August 1, 2003. The Bonds are general obligations of the City and the full faith and credit of the City are pledged to the payment of principal and interest. Interest on the Bonds is due and payable semi-annually on each February 1 and August 1.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

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**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

On October 15, 2002, the City issued \$7,370,000 in Public Improvement Bonds (Bonds) with interest ranging from 2.75% to 5.00%. The proceeds of the Bonds are to be used as part of the City's participation in the revitalization and commercial development of the Coliseum District in the City, to assist in the development of a Bass Pro Outdoors Shop in such District. The bonds are general obligations of the City and the full faith and credit of the City are pledged to the payment of principal and interest. Interest on the Bonds is due and payable semi-annually on each January 15 and July 15.

On January 15, 2000, the City issued \$45,960,000 in Public Improvement Bonds (Bonds) with interest ranging from 4.75% to 6.00% and \$3,425,000 in General Obligation Notes (Notes) with an interest rate of 4.65%. Interest on the Bonds is due and payable semi-annually on each February 1 and August 1. The Notes were paid on May 30, 2002. On April 1, 2002, the City issued \$30,155,000 in Public Improvement Bonds (Bonds) with interest ranging from 4.25% to 5.00%. The proceeds of the Bonds were used to pay \$3,425,000 in certain General Obligation Notes of the City and the remaining balance will to be used to finance general public improvements in the City, including street, road and sewer projects, community enhancement projects, school projects and other projects for the benefit of the City. The Bonds are general obligations of the City and the full faith and credit of the City are pledged to the payment of principal and interest. Interest on the Bonds is due and payable semi-annually on each April 1 and October 1.

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2003, \$72,750,000 of bonds outstanding are considered defeased.

General obligation bonds are backed by the full faith and credit of the City.



The City was required to make sinking fund deposits through August, 1986 to provide for the retirement of \$10,700,000 of 1978 refunding bonds maturing in 2007. Deposits totaling \$10,637,250 have been made to date and are reflected in the Debt Service Funds. The sinking fund deposits have been used to purchase \$9,306,000 par value U.S. Treasury Bonds bearing interest at 9.375% due 2006. The City has entered into an escrow agreement with a bank to receive interest payments from the United States Treasury Bonds and apply those payments to the annual debt service of the \$10,700,000 refunding bonds until the maturity in 2007.

On November 13, 1996, the City increased the line-of-credit with a bank from \$3,000,000 to \$8,000,000 for the acquisition of real property which is strategic to the City's future planning and/or economic development. On January 18, 1996, the City borrowed \$1,550,000 under the line-of-credit for the acquisition of real property on the westerly side of Big Bethel Road. This note is payable in annual installments of \$155,000 through January 18, 2006, plus interest accrued weekly at 95% of the LIBOR rate. On February 13, 1997, the City borrowed \$761,760 and \$520,000 under the line-of-credit for the acquisition of real property at Aberdeen Road and Mercedes Drive, respectively. Those notes are payable in annual principal installments of \$76,176 and \$52,000, respectively, through February 13, 2007, plus interest accrued weekly at 95% of the LIBOR rate. On November 26, 2001, the City borrowed \$1,772,248 under the line-of-credit for the acquisition of real property associated with the road right of way on the Power Plant Retail Project site. This note is payable in annual installments of \$177,225 through November 26, 2010 and one annual installment of \$177,223 due November 26, 2011, plus interest accrued weekly at 95% of the LIBOR rate. The notes are secured by the full faith and credit of the City. At June 30, 2003, the outstanding balance was \$2,174,727.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Continued:**

The City is indebted for \$2,108,531 under capital leases and installment purchase contracts for the acquisition of equipment. The remaining debt service requirements, including interest, on the aforementioned contracts payable during future years ending June 30 is as follows:

<u>Year</u>	
2004	\$ 298,968
2005	298,967
2006	298,967
2007	298,967
2008	160,560
2009 - 2013	802,800
2014 - 2018	802,800
2019 - 2023	802,800
2024 - 2027	<u>508,440</u>
	4,273,269
Less interest	<u>(2,164,738)</u>
	<u>\$ 2,108,531</u>

Debt Limit: The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation on the amount of general obligation borrowings, which may be issued by the City. As of June 30, 2003, the City's aggregate general obligation indebtedness was \$417,215,367 less than the State limit.

Taxable General Obligation Bonds

On March 29, 1996, the City issued \$12,100,000 in Taxable General Obligation Refunding Bonds with an interest rate of 6.7968% to advance refund a \$12,024,375 note payable to the Virginia Retirement System (VRS). The net proceeds of \$12,024,375 plus an additional \$721,460 provided by the City was deposited with an escrow agent. On April 30, 1996, the escrow agent paid the entire principal and interest balance due on the note payable.

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

<u>Year</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 575,031	\$ 610,279
2005	614,115	571,195
2006	655,855	529,455
2007	700,432	484,878
2008	748,039	437,271
2009 – 2013	4,575,570	1,350,980
2014	<u>1,109,874</u>	<u>75,436</u>
	<u>\$ 8,978,916</u>	<u>\$ 4,059,494</u>

The City's indebtedness includes \$1,704,527 in loans from the State Literary Loan Fund. The proceeds of the one loan were used to fund the City's share of the New Horizons Technical Center, a regional high school vocational and technical center. The other loans were used for major repairs or renovations to four elementary schools and Hampton High School. Repayment is in annual installments over a 20-year term at 3% interest.

Debt service on literary loans during future fiscal years ending June 30 is as follows:

2004	\$ 239,186
2005	233,544
2006	227,903
2007	222,261
2008	216,620
2009 – 2013	752,838
2014	<u>84,166</u>
	1,976,518
Less interest	<u>(271,991)</u>
	<u>\$ 1,704,527</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

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**8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT, Concluded:**

Discretely Presented Component Unit – School Board:

The School Board is indebted under capital leases and installment purchase contracts for the acquisition of school buses. The debt service requirements, including interest, on the aforementioned capital leases during future fiscal years ending June 30 is as follows:

2004	\$	898,436
2005		426,761
2006		426,760
		<hr/> 1,751,957
Less interest		<hr/> (89,482)
	\$	<hr/> <u>1,662,475</u>

Overlapping Debt: There are no overlapping or underlying tax jurisdictions.

**9. DEFINED BENEFIT PENSION PLANS:**

The City contributes to two pension plans for its employees, the Hampton Employees' Retirement System (HERS) and the Virginia Retirement System (VRS). HERS covers all full-time salaried employees who were first hired prior to July 1, 1984 and VRS covers all full-time salaried employees.

Plan Description - HERS

HERS is a single employer public employee defined benefit pension plan established and administered by the City to augment the retirement benefits provided to full-time permanent City and School Board employees under the Virginia Retirement System (VRS). The authority to establish and amend benefit provisions of HERS is governed by statute as set out in Chapter 28 of the Code of the City of Hampton, Virginia. HERS is considered part of the City of Hampton's financial reporting entity and is included in the City's financial reports as a pension trust fund. HERS issues a publicly available financial report that includes financial statements and required supplementary information for HERS. The financial report may be obtained by writing to City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

### Funding Policy - HERS

The contribution requirements of plan members and the City of Hampton are established and may be amended by City Council. Plan members do not contribute. The City is required to contribute an actuarially determined rate; the current rate is 0% of annual covered payroll.

### Annual Pension Cost and Net Pension Obligation – HERS

For fiscal year 2003, the City was not required to contribute to HERS; therefore, it has no annual pension cost and net pension obligation. The annual required contribution was determined as a part of the July 1, 2001 actuarial valuation using the entry age normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5% per year. The actuarial assumptions include a future inflation rate of 4.5% a year. The plan was amended in 2000 to provide for a one-time cost of living adjustment of 3.0% to members who retired prior to July 2, 1998. Effective July 1, 2001, the Board authorized a 3.5% cost of living adjustment to members who retired prior to July 1, 1999. The actuarial value of assets was determined using market value, but with the difference between expected and actual return recognized over a five-year period. The unfunded actuarial liability is amortized on a flat dollar basis. The remaining amortization period at June 30, 2003 was 20 years. The amortization period is closed.

### Summary of Significant Accounting Policies - HERS

#### Basis of Accounting:

The financial statements of HERS are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which the contributions are due. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plan.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**9. DEFINED BENEFIT PENSION PLANS, Continued:**

Method Used to Value Investments:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The fair value of U.S. government and corporate bonds and stocks traded on national securities exchange is determined by using the last reported sales price on the last business day of the fiscal year. The guaranteed investment contract is valued at amortized cost. Investments that do not have an established market are reported at estimated fair value.

Trend Information – HERS

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$ -	0 %	\$ -
6/30/01	\$ -	0 %	\$ -
6/30/02	\$ -	0 %	\$ -
6/30/03	\$ -	0 %	\$ -

Funding Progress – HERS:

The amount shown below as actuarial accrued liability is computed using the Entry Age Normal Cost method of funding. The six most recent years of funding progress are as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age Normal Cost Method (b)</u>	<u>Unfunded AAL (Funding Excess) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/98	\$ 178,242,951	\$ 125,390,971	\$ (52,851,980)	142.2%	\$ 57,426,667	(92.0)%
6/30/99	\$ 191,666,466	\$ 150,125,671	\$ (41,540,795)	127.7%	\$ 52,595,318	(79.0)%
6/30/00	\$ 202,094,503	\$ 153,529,592	\$ (48,564,911)	131.6%	\$ 45,804,859	(106.0)%
6/30/01	\$ 206,871,679	\$ 158,401,549	\$ (48,470,130)	130.6%	\$ 40,393,841	(120.0)%
6/30/02	\$ 195,451,957	\$ 171,660,111	\$ (23,791,846)	113.9%	\$ 43,350,578	(54.9)%
6/30/03	\$ 190,428,272	\$ 176,541,411	\$ (13,886,861)	107.9%	\$ 38,281,134	(36.3)%

Plan Description - VRS:

The City of Hampton, Component Unit - School Board, and HRHA contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System).

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases, limited to 5% per year, beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation.

Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**9. DEFINED BENEFIT PENSION PLANS, Continued:**

Funding Policy - VRS:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City of Hampton, the Component Unit - School Board, and HRHA. In addition, the City of Hampton and the Component Unit - School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City of Hampton's, Component Unit - School Board's nonprofessional employees, and HRHA's contribution rates for the fiscal year ended 2003 were 13.50%, 10.75%, and 10.75%, respectively. The Component Unit - School Board's contributions to VRS for professional employees for the fiscal years ending June 30, 2003, 2002, and 2001 of \$8,092,867 (8.77%), \$7,527,219 (9.24%), and \$10,708,896 (12.54%), respectively, were equal to the required contributions for each year.

Annual Pension Cost and Net Pension Obligation:

For 2003 the City of Hampton's, Component Unit - School Board's nonprofessional employees, and HRHA's annual pension cost and net pension obligation were as follows:

	<u>City of Hampton</u>	<u>Component Unit- School Board</u>	<u>HRHA</u>
Annual required contribution	\$ 8,674,799	\$ 456,004	\$ 235,057
Interest on net pension obligation	617		
Adjustment to annual required contribution	<u>(7,725)</u>		
Annual pension cost	8,667,691	456,004	235,057
Contributions made	<u>(8,674,799)</u>	<u>(456,004)</u>	<u>(235,057)</u>
Increase (decrease) in net pension obligation	(7,108)		
Net pension obligation, July 1, 2002	<u>7,710</u>		
Net pension obligation, June 30, 2003	<u>\$ 602</u>	<u>\$</u>	<u>\$</u>



The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions include (a) 8% investment rate of return, (b) projected salary increase of 4.25% to 6.10% per year, (c) cost of living adjustments for the Component Unit-School Board and HRHA of 3.0% per year and 3.0% for the City of Hampton. Both (a) and (b) included an inflation component of 3% for the Component Unit-School Board and 3% for the City of Hampton. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Trend Information - VRS:

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>City of Hampton</u>	June 30, 2000	\$ 9,427,738	99.6%	\$ 1,642,031
	June 30, 2001	\$ 7,277,185	121.2%	\$ 98,850
	June 30, 2002	\$ 8,775,607	101.0%	\$ 7,710
	June 30, 2003	\$ 8,667,691	100.0%	\$ 602
<u>Component Unit- School Board</u>	June 30, 2000	\$ 638,871	100%	\$ —
	June 30, 2001	\$ 534,987	100%	\$ —
	June 30, 2002	\$ 487,543	100%	\$ —
	June 30, 2003	\$ 456,004	100%	\$ —
<u>HRHA</u>	December 31, 1999	\$ 225,392	100%	\$ —
	December 31, 2000	\$ 228,980	100%	\$ —
	December 31, 2001	\$ 196,663	100%	\$ —
	December 31, 2002	\$ 235,057	100%	\$ —

CITY OF HAMPTON, VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS, Continued  
June 30, 2003

9. **DEFINED BENEFIT PENSION PLANS**, Concluded:

Funding Progress - VRS:

City of Hampton:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/96	\$ 117,952,480	\$ 146,115,061	\$ 28,162,581	80.7%	\$ 46,703,260	60.30%
6/30/98	\$ 158,997,419	\$ 191,565,228	\$ 32,567,809	83.0%	\$ 50,666,072	64.30%
6/30/99	\$ 182,835,831	\$ 214,674,739	\$ 31,838,908	85.2%	\$ 54,923,121	58.00%
6/30/00	\$ 211,382,274	\$ 224,968,461	\$ 13,586,187	94.0%	\$ 58,044,579	23.41%
6/30/01	\$ 232,379,871	\$ 243,900,202	\$ 11,520,331	95.3%	\$ 59,189,302	19.46%
6/30/02	\$ 239,128,739	\$ 264,577,425	\$ 25,448,686	90.4%	\$ 62,329,076	40.83%

Component Unit – School Board:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
6/30/96	\$ 8,864,213	\$ 11,401,956	\$ 2,537,743	77.7%	\$ 3,165,821	80.20%
6/30/98	\$ 11,694,145	\$ 13,624,037	\$ 1,929,892	85.8%	\$ 4,007,401	48.20%
6/30/99	\$ 13,383,352	\$ 14,353,431	\$ 970,079	93.2%	\$ 4,376,875	22.20%
6/30/00	\$ 15,286,909	\$ 14,174,421	\$ (1,112,488)	107.9%	\$ 4,325,130	(25.72%)
6/30/01	\$ 16,570,060	\$ 15,592,281	\$ (977,779)	106.3%	\$ 4,704,473	(20.78%)
6/30/02	\$ 16,716,954	\$ 16,576,442	\$ (140,512)	100.9%	\$ 4,868,287	(2.89%)

HRHA:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
6/30/96	\$ 4,615,434	\$ 4,878,201	\$ 262,767	94.6%	\$ 1,918,554	13.70%
6/30/98	\$ 6,216,516	\$ 5,923,322	\$ (293,194)	104.9%	\$ 1,953,655	(15.01%)
6/30/99	\$ 7,131,650	\$ 6,075,846	\$ (1,055,804)	117.4%	\$ 2,065,453	(51.10%)
6/30/00	\$ 8,252,008	\$ 6,078,423	\$ (2,173,585)	135.8%	\$ 2,130,044	(102.00%)
6/30/01	\$ 8,985,596	\$ 6,460,457	\$ (2,525,139)	139.1%	\$ 1,829,424	(138.03%)
6/30/02	\$ 9,119,645	\$ 7,475,450	\$ (1,644,195)	122.0%	\$ 2,186,850	(79.19%)

10. DEFERRED COMPENSATION PLAN:

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distribution to participants in accordance with the plan document.

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**11. JOINT VENTURE:**

The Hampton Roads Regional Jail Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created through an agreement by the Cities of Hampton, Newport News, Norfolk and Portsmouth (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction, and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 175 prisoners or 20%; Newport News, 200 prisoners or 22.86%; Norfolk, 250 prisoners or 28.57%; Portsmouth, 250 prisoners or 28.57%. The Authority shall make adjustments to the per diem charge as and when necessary to reconcile projected revenues and expenditures to actual revenues and expenditures and to comply with any revenue or other covenant related to the Bonds.

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2003 is as follows:

Revenues and other sources	\$ 22,635,124
Expenditures and other uses	<u>(23,967,978)</u>
Change in fund equity	(1,332,854)
Fund equity, July 1, 2002, as restated	<u>29,733,118</u>
Fund equity, June 30, 2003	<u>\$ 28,400,264</u>

The revenue bonds issued by the Authority are limited obligations of the Authority payable solely from net revenues and other funds derived from the ownership and operation of the regional jail.

Separate financial statements are available from the Hampton Roads Regional Jail Authority at 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

## 12. COMMITMENTS AND CONTINGENCIES:

Grants: The City receives grant funds, principally from the U.S. government, for construction and various other programs. Expenditures from certain of these funds are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the City, no material refunds will be required as a result of expenditures disallowed by grantors.

Leases: The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$343,872. In addition, the City leases space under operating leases for use as branches of the City's public library. The City also leases various City property to other governmental agencies and businesses under operating lease agreements. The majority of these leases are cancelable within the next 12 months.

A summary of future minimum rental payments under the operating leases at June 30, 2003 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Future Rental Income</u>
2004	\$ 439,358	\$ 15,817
2005	257,147	16,196
2006	259,204	13,394
2007	252,768	13,795
2008	96,644	9,379
2009 – 2013	374,985	
2014 – 2015	149,994	
	<u>\$ 1,830,100</u>	<u>\$ 68,581</u>

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

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**12. COMMITMENTS AND CONTINGENCIES, Continued:**

The City's rental expense and rental income for the year ended June 30, 2003 amounted to \$2,132,910 and \$463,167, respectively.

The City has entered into several agreements relating to development projects along the downtown waterfront. These agreements involve commitments by the City to make certain loan principal and interest payments, capital expenditures, including land acquisition and site improvements, to induce private development on the waterfront. Substantially all of these amounts have been appropriated in the Economic Development Fund.

The City has entered into several three-party agreements with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to specific development projects. The City's expenditures related to these projects are reflected in the General Fund. These projects involve future lease commitments by the City. Those commitments are as follows:

Harbour Center - \$505,401 annually for the lease of a garage facility through 2018. (A portion of the garage lease payments will be offset by fees charged for parking.)

A summary of future minimum rent payments under the operating leases at June 30, 2002 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 505,401
2005	505,401
2006	505,401
2007	505,401
2008	505,401
2009 – 2013	2,527,005
2014 – 2018	2,527,005
	<u>\$ 7,581,015</u>

Self-Insurance: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established a Risk Management Fund (internal service fund) to account for and finance its uninsured risks of loss except for medical claims which are accounted for in the General Fund.

The City and the Hampton City Schools are self-insured for a portion of its risks up to the following self-insured levels per occurrence:

	<u>City</u>	<u>Hampton City Schools</u>
Workers' Compensation	\$ 500,000	\$ 500,000
General Liability	1,000,000	1,000,000 (Auto)
Property Coverage	50,000	100,000
Medical Claims	100,000 per person/ plan year	

The City purchases commercial insurance for claims in excess of coverage provided by the Funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

All funds of the City participate in the program and make payments to the Risk Management and General Funds based on historical cost information. The unrestricted net assets of \$3,837,403 at June 30, 2003 are designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability. Changes in the Funds' claims liability amount in fiscal years 2003, 2002, and 2001 were:

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
**June 30, 2003**

**12. COMMITMENTS AND CONTINGENCIES, Concluded**

	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Claims Liability June 30</u>
<u>Risk Management Fund</u>				
Fiscal Year 2003	\$ 2,514,049	\$ 848,914	\$ 1,098,179	\$ 2,264,784
Fiscal Year 2002	\$ 1,459,567	\$ 1,625,417	\$ 570,935	\$ 2,514,049
Fiscal Year 2001	\$ 1,480,468	\$ 684,490	\$ 705,391	\$ 1,459,567
	<u>Claims Liability July 1</u>	<u>Incurred Claims</u>	<u>Claim Payments</u>	<u>Claims Liability June 30</u>
<u>General Fund</u>				
Fiscal Year 2003	\$ 372,120	\$ 8,560,132	\$ 8,426,037	\$ 506,215
Fiscal Year 2002	\$ 106,360	\$ 6,959,256	\$ 6,693,496	\$ 372,120
Fiscal Year 2001	\$ 138,046	\$ 6,603,200	\$ 6,634,886	\$ 106,360

Various claims and lawsuits are pending against the City. In the opinion of City management, the resolutions of these cases would not involve a substantial liability to the City.

Letters of Credit: SunTrust Bank issued two Standby Letters of Credit totaling \$5,000,000 on the behalf of the IDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2003, no draws were made under the Letters of Credit.



13. **SURETY BONDS:**

The City maintained the following surety bond coverage on certain employees during the fiscal year ended June 30, 2003:

<b><u>Official Covered</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
Darling Stadium trustees	Travelers – Trustee Liability Coverage	\$2,000,000 aggregate
School assigned nurses	St. Paul Fire and Marine Nurses Professional Liability Coverage	\$1,000,000 aggregate
City Treasurer and all of her employees	National Grange Mutual Insurance Company	\$600,000 per occurrence for City Funds

The Commonwealth of Virginia maintained a Faithful Performance of Duty bond on Constitutional Officers pursuant to Sections 2.2-1840 and 15.2-1527 of the *Code of Virginia*. The coverage on the Treasurer does not extend to the loss of any City funds.

<b><u>Official Covered</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
Treasurer	Commonwealth of Virginia Faithful Performance of Duty Bond	\$1,500,000
Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond	\$3,000
Clerk of the Circuit Court	Commonwealth of Virginia Faithful Performance of Duty Bond	\$3,000,000
Sheriff	Commonwealth of Virginia Faithful Performance of Duty Bond	\$30,000

**CITY OF HAMPTON, VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS, Continued**  
June 30, 2003

**14. POST RETIREMENT HEALTH CARE BENEFITS:**

In addition to the pension benefits described in Note 9, the City and HRHA provides post-retirement health care benefits, in accordance with the City's Personnel Policies and Procedures Ordinance, to all full-time, salaried permanent employees and public safety officers who retire from the City on or after attaining age 55 and 50, respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 786 City retirees and 12 HRHA retirees meet these eligibility requirements. The employer's contribution ranges from 0% to 88% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer's contributions are financed on a pay-as-you-go basis. During fiscal year 2003, expenditures of \$1,279,061 and \$26,984 for the City and HRHA, respectively, were recognized for post-retirement health care benefits.

**15. LEASE RECEIVABLES:**

The IDA issued Revenue Bonds (Note 8) to improve land and buildings used by Whitney Rand Corporation and to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with these organizations, revenues generated from the lease of the buildings are used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2003 future lease receivables are \$2,458,601 from Whitney Rand and \$17,821,067 from PWDC. The minimum lease payments for the next five years are:

<u>Year Ending June 30,</u>	<u>Whitney Rand</u>	<u>PWDC</u>
2004	\$ 165,488	\$ 990,059
2005	165,488	990,059
2006	165,488	990,059
2007	165,488	990,059
2008	165,488	990,059

Upon completion of PWDC, \$885,460 in unearned interest income was used to offset direct costs. This amount will be allocated over the life of the lease at \$44,273 per year. There is no contingent rental associated with these leases.

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
BALANCE SHEET  
June 30, 2003**

Exhibit B-1

<b>ASSETS</b>	
Cash and cash equivalents	\$ 36,485,923
Investments	1,346,974
Accounts receivables:	
Taxes (net of allowance for uncollectibles of \$3,200,343)	7,933,512
Due from other governments	6,038,333
Other	1,459,995
Due from other funds	6,685,562
Due from component units	-398
Inventories	80,398
Total assets	<u>\$ 60,031,095</u>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>	
Accounts payable	\$ 5,057,856
Accrued health insurance	1,626,213
Claims payable	506,215
Accrued liabilities	448,829
Deferred revenue	6,701,069
Due to other funds	6,800,079
Due to component units	139,325
Total liabilities	<u>21,279,586</u>
<b>Fund balances:</b>	
Reserved for:	
Encumbrances	909,516
Courthouse maintenance	328,558
Hazmat	9,473
Unreserved:	
Designated for succeeding year	8,491,493
Undesignated	<u>29,012,469</u>
Total fund balances	<u>38,751,509</u>
Total liabilities and fund balances	<u>\$ 60,031,095</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2003**

**Exhibit B-2**

	Budget July 1, 2002	Net Changes	Final June 30, 2003	Actual	Variance Over (Under)
General property taxes:					
Real estate	\$ 70,665,314	\$ -	\$ 70,665,314	\$ 73,251,289	\$ 2,585,975
Real estate BID	424,508		424,508	529,346	104,838
Public service	3,276,540		3,276,540	3,266,345	(10,195)
Personal property	28,593,133		28,593,133	29,070,476	477,343
Mobile homes	30,389		30,389	34,045	3,656
Machinery and tools	1,976,833		1,976,833	1,971,391	(5,442)
Delinquent taxes	690,000		690,000	1,228,420	538,420
Penalty	1,000,000	-	1,000,000	1,348,391	348,391
Total	106,656,717	-	106,656,717	110,699,703	4,042,986
Other local taxes:					
Utility - cable television	1,520,137		1,520,137	1,019,417	(500,720)
Utility - telephone	2,807,574		2,807,574	2,487,922	(319,652)
Utility - electric and gas	4,803,135		4,803,135	4,834,157	31,022
Utility - cellular phone	1,260,750		1,260,750	1,599,434	338,684
Tobacco	3,054,800		3,054,800	2,951,926	(102,874)
Business license	9,109,142		9,109,142	9,571,805	462,663
Short-term rental	112,750		112,750	91,736	(21,014)
Sales and use	11,941,836		11,941,836	11,382,849	(558,987)
Recordation	682,087		682,087	782,001	99,914
Lodging and transit	2,320,207		2,320,207	2,466,775	146,568
Amusement	1,072,600		1,072,600	1,141,045	68,445
Meal	10,338,150		10,338,150	10,469,631	131,481
Motor vehicle	2,796,000		2,796,000	2,767,203	(28,797)
Bank stock	376,394		376,394	298,938	(77,456)
License tax - pari-mutual	105,000	-	105,000	114,631	9,631
Total	52,300,562	-	52,300,562	51,979,470	(321,092)
License permits and privilege fees:					
Animal licenses	13,550		13,550	13,879	329
Street and taxi permits	61,723		61,723	50,068	(11,655)
Zoning and land use	387,912		387,912	683,221	295,309
Building permits	928,819		928,819	692,820	(235,999)
Miscellaneous	9,600	-	9,600	8,410	(1,190)
Total	1,401,604	-	1,401,604	1,448,398	46,794
Fines and forfeitures - total	1,024,677	-	1,024,677	1,300,113	275,436

	Budget July 1, 2002	Net Changes	Final June 30, 2003	Actual	Variance Over (Under)
Revenue from use of money and property:					
Interest on investments	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 431,154	\$ (1,168,846)
Rental of property	97,308		97,308	147,384	50,076
Sale of materials and supplies	63,112		63,112	70,549	7,437
Vending machine commissions	6,500		6,500	9,882	3,382
Parking fees	146,744		146,744	100,064	(46,680)
Net decrease in fair value of investments	-	-	-	(30,557)	(30,557)
Total	1,913,664	-	1,913,664	728,476	(1,185,188)
Charges for services:					
Fees:					
Court costs				305	305
Clerk	105,000		105,000	291,164	186,164
Court officers	25,000		25,000	28,070	3,070
Recreation	950,140		950,140	1,112,371	162,231
Sheriff	15,000		15,000	152,781	137,781
Legal services	7,200		7,200	7,200	
Library	72,850		72,850	73,780	930
Miscellaneous	232,500		232,500	53,705	(178,795)
Landfill host fees	365,000	-	365,000	393,875	28,875
Total	1,772,690	-	1,772,690	2,113,251	340,561
Miscellaneous revenue:					
Payment in lieu of taxes	79,155		79,155	61,379	(17,776)
Returned check charges	14,000		14,000	6,526	(7,474)
Unemployment fees	12,800		12,800	9,600	(3,200)
School reimbursement	857,981		857,981	640,607	(217,374)
Indirect cost	255,955		255,955	255,954	(1)
Other	50,000	3,502	53,502	123,231	69,729
Total	1,269,891	3,502	1,273,393	1,097,297	(176,096)
Recovered costs:					
Jail operation	948,673		948,673	1,015,980	67,307
Probation	16,500		16,500	12,294	(4,206)
Police	6,276,110		6,276,110	6,078,040	(198,070)
NASA fire services	814,875		814,875	795,000	(19,875)
Miscellaneous	150,000	408,354	558,354	1,318,316	759,962
Total	8,206,158	408,354	8,614,512	9,219,630	605,118

(Continued)

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND**

**Exhibit B-2**

**SCHEDULE OF REVENUES AND OTHER CREDITS-BUDGET AND ACTUAL, Concluded  
Fiscal Year Ended June 30, 2003**

	Budget July 1, 2002	Net Changes	Final June 30, 2003	Actual	Variance Over (Under)
Noncategorical aid - state:					
ABC profits	\$ 177,395	\$ -	\$ 177,395	\$ 177,191	\$ (204)
Wine taxes	200,669		200,669	164,067	(36,602)
Vehicle rental tax	289,043		289,043	375,156	86,113
Mobile home titling tax	20,000		20,000	12,471	(7,529)
Tax on deeds	405,971	-	405,971	306,199	(99,772)
Total	1,093,078	-	1,093,078	1,035,084	(57,994)
Shared expenses - state:					
Sheriff	6,240,187		6,240,187	5,217,402	(1,022,785)
Commonwealth Attorney	1,138,506		1,138,506	1,037,788	(100,718)
Commissioner of Revenue	290,790		290,790	273,625	(17,165)
Treasurer	292,586		292,586	268,232	(24,354)
Registrar - election board	58,447		58,447	53,513	(4,934)
Medical examinations	3,000	-	3,000	2,460	(540)
Total	8,023,516	-	8,023,516	6,853,020	(1,170,496)
Categorical aid - state:					
Public assistance	3,426,700	564,285	3,990,985	3,980,084	(10,901)
Street and highway maintenance	9,486,013		9,486,013	9,833,826	347,813
Public library books	251,978		251,978	214,443	(37,535)
Virginia juvenile block grant	441,197		441,197	432,398	(8,799)
Healthy start program	358,000	(337,852)	20,148	20,148	-
Total	13,963,888	226,433	14,190,321	14,480,899	290,578
Categorical aid - federal:					
Pass thru - public assistance	8,089,957	1,635,743	9,725,700	9,673,963	(51,737)
Pass thru - Foster Care Prevention and Preplacement	888,000	199,191	1,087,191	1,758,254	671,063
Pass thru - Federal Emergency Management Civil Preparedness	38,608	-	38,608	49,590	10,982
Total	9,016,565	1,834,934	10,851,499	11,481,807	630,308
Noncategorical aid - federal indirect costs - total	148,625	50,000	198,625	221,940	23,315
Total revenues	206,791,635	2,523,223	209,314,858	212,659,088	3,344,230

	Budget July 1, 2002	Net Changes	Final June 30, 2003	Actual	Variance Over (Under)
Other credits:					
Risk Management - transfer	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
Golf & Tennis - transfer	-	-	-	100,000	100,000
Total transfers	1,000,000	-	1,000,000	1,100,000	100,000
Total revenues and transfers	207,791,635	2,523,223	210,314,858	213,759,088	3,444,230
Appropriations from fund balance		7,246,197	7,246,197	7,246,197	
Appropriations - encumbrances	-	1,113,417	1,113,417	1,113,417	-
Total appropriations	-	8,359,614	8,359,614	8,359,614	-
Total revenues and other credits	\$ 207,791,635	\$ 10,882,837	\$ 218,674,472	\$ 222,118,702	\$ 3,444,230

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES  
Fiscal Year Ended June 30, 2003**

**Exhibit B-3**

	Appropriations			Expenditures			Total	Variance Under (Over)
	Budget July 1, 2002	Net Changes	Final June 30, 2003	Personal Services	Other Expenses	Capital Outlay		
General Government:								
Legislative:								
Municipal Council	\$ 420,958	\$ (12,119)	\$ 408,839	\$ 286,982	\$ 103,707	\$ 2,602	\$ 393,291	\$ 15,548
Legislative - Total	420,958	(12,119)	408,839	286,982	103,707	2,602	393,291	15,548
Executive:								
City Manager	718,679	67,607	786,286	657,073	89,425	7,713	754,211	32,075
Budget and Analysis	269,095	21,583	290,678	254,474	28,145	2,375	284,994	5,684
Marketing and Communications	322,609	59,942	382,551	289,715	35,296	13,341	338,352	44,199
Citizens Unity Commission	163,716	49,540	213,256	80,035	40,879	1,860	122,774	90,482
311 Call Center	421,082	28,631	449,713	368,355	62,911	-	431,266	18,447
Executive - Total	1,895,181	227,303	2,122,484	1,649,652	256,656	25,289	1,931,597	190,887
City Attorney:								
Law - City Attorney	739,973	46,506	786,479	687,937	78,726	-	766,663	19,816
City Attorney - Total	739,973	46,506	786,479	687,937	78,726	-	766,663	19,816
Human Resources - Total	505,780	99,997	605,777	427,315	100,589	4,525	532,429	73,348
Judicial:								
Clerk of Courts	743,798	9,476	753,274	617,204	93,433	8,433	719,070	34,204
Circuit Court	299,602	19,201	318,803	261,458	27,249	9,909	298,616	20,187
General District Court	192,156	17,403	209,559	61,471	133,529	-	195,000	14,559
District Court - J.D.R.	48,255	7,914	56,169	-	42,608	9,781	52,389	3,780
Commonwealth Attorney	1,206,759	(28,602)	1,178,157	1,024,914	110,947	16,829	1,152,690	25,467
City Sheriff - Administration	1,455,468	(76,152)	1,379,316	1,209,055	151,757	-	1,360,812	18,504
City Sheriff - Jail	5,722,785	(365,885)	5,356,900	3,223,376	1,966,777	89,653	5,279,806	77,094
Court Service Unit	1,487,711	-	1,487,711	72,339	1,229,921	3,281	1,305,541	182,170
Judicial - Subtotal	11,156,534	(416,645)	10,739,889	6,469,817	3,756,221	137,886	10,363,924	375,965
Less amount reflected as transfers	-	-	-	-	(440)	-	(440)	440
Judicial - Total	11,156,534	(416,645)	10,739,889	6,469,817	3,755,781	137,886	10,363,484	376,405



	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2002	Net Changes	Final June 30, 2003	Personal Services	Other Expenses	Capital Outlay	Total	
General Government, continued:								
Boards and Commissions:								
Planning Commission	\$ 750,572	\$ 37,557	\$ 788,129	\$ 620,605	\$ 76,126	\$ 30,374	\$ 727,105	\$ 61,024
Elections Board	179,530	(60,000)	119,530	64,220	21,099		85,319	34,211
Registrar	201,478	10,676	212,154	165,539	11,839		177,378	34,776
Development	654,674	170,456	825,130	393,854	269,902	16,694	680,450	144,680
Neighborhood Services	496,435	39,818	536,253	378,922	135,541	4,006	518,469	17,784
Boards and Commissions - Subtotal	2,282,689	198,507	2,481,196	1,623,140	514,507	51,074	2,188,721	292,475
Less amount reflected as transfers	(40,400)	-	(40,400)	-	(21,568)	-	(21,568)	(18,832)
Boards and Commissions - Total	2,242,289	198,507	2,440,796	1,623,140	492,939	51,074	2,167,153	273,643
Agriculture - Extension Agent - Total	102,593	10,011	112,604	51,473	23,968	-	75,441	37,163
Nondepartmental:								
Nondepartmental	10,711,485	475,426	11,186,911	267,987	8,921,253	512,389	9,701,629	1,485,282
Civic and community support	493,469	-	493,469	-	486,507	-	486,507	6,962
Nondepartmental - Subtotal	11,204,954	475,426	11,680,380	267,987	9,407,760	512,389	10,188,136	1,492,244
Less amount reflected as transfers	-	(520,732)	(520,732)	-	(136,366)	-	(136,366)	(384,366)
Nondepartmental - Total	11,204,954	(45,306)	11,159,648	267,987	9,271,394	512,389	10,051,770	1,107,878
Finance:								
Commissioner of Revenue	1,020,422	19,849	1,040,271	867,420	148,812	20,249	1,036,481	3,790
Assessment	656,435	(3,036)	653,399	561,254	80,951	4,900	647,105	6,294
City Treasurer	1,029,964	(14,242)	1,015,722	654,103	359,893		1,013,996	1,726
Procurement	315,701	107,951	423,652	352,671	37,759		390,430	33,222
Independent Auditors	134,374	24,116	158,490		103,828		103,828	54,662
Finance	884,279	270,398	1,154,677	822,051	66,240	16,716	905,007	249,670
Information Services	1,616,792	355,378	1,972,170	1,021,186	459,733	130,046	1,610,965	361,205
Finance - Total	5,657,967	760,414	6,418,381	4,278,685	1,257,216	171,911	5,707,812	710,569

(Continued)

**CITY OF HAMPTON, VIRGINIA  
GENERAL FUND  
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES, Continued  
Fiscal Year Ended June 30, 2003**

**Exhibit B-3**

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2002	Net Changes	Final June 30, 2003	Personal Services	Other Expenses	Capital Outlay	Total	
General Government, concluded: Retirement and Employee Benefits - Total	\$ 19,706,864	\$ (1,668,531)	\$ 18,038,333	\$ 741,752	\$ 16,845,984	\$ -	\$ 17,587,736	\$ 450,597
Public Works:								
Administration	326,640	561,294	887,934	256,295	140,394	442,016	838,705	49,229
Engineering	832,147	14,948	847,095	725,064	95,607	4,654	825,325	21,770
Property Maintenance	3,111,538	201,305	3,312,843	936,703	2,184,682	50,113	3,171,498	141,345
Parking Facilities	784,351	33,641	817,992	-	782,098	18,387	800,485	17,507
Public Works - Total	5,054,676	811,188	5,865,864	1,918,062	3,202,781	515,170	5,636,013	229,851
General Government - Total	58,687,769	11,325	58,699,094	18,402,802	35,389,741	1,420,846	55,213,389	3,485,705
Public Safety:								
Police Division	14,777,605	1,793,136	16,570,741	12,669,977	2,751,776	701,016	16,122,769	447,972
Traffic Engineering	2,496,524	(74,510)	2,422,014	600,198	1,748,201	1,012	2,349,411	72,603
Fire Division	10,516,618	953,504	11,470,122	9,945,931	1,410,417	40,790	11,397,138	72,984
Codes Compliance	1,496,696	53,663	1,550,359	1,251,472	283,067	-	1,534,539	15,820
Animal Control	335,981	1,125	337,106	-	337,106	-	337,106	-
Public Safety - Subtotal	29,623,424	2,726,918	32,350,342	24,467,578	6,530,567	742,818	31,740,963	609,379
Less amount reflected as transfers	-	(25,863)	(25,863)	-	(38,667)	-	(38,667)	12,804
Public Safety - Total	29,623,424	2,701,055	32,324,479	24,467,578	6,491,900	742,818	31,702,296	622,183
Highways and Streets - Total	2,249,859	2,829	2,252,688	904,372	1,220,273	32,088	2,156,733	95,955

	Appropriations			Expenditures				Variance Under (Over)
	Budget July 1, 2002	Net Changes	Final June 30, 2003	Personal Services	Other Expenses	Capital Outlay	Total	
Health:								
Preventive Medicine	\$ 1,379,528	\$ (74,760)	\$ 1,304,768	\$ -	\$ 1,294,528	\$ -	\$ 1,294,528	\$ 10,240
Drainage Maintenance	1,527,403	57,404	1,584,807	747,282	768,444	19,686	1,535,412	49,395
Health - Total	2,906,931	(17,356)	2,889,575	747,282	2,062,972	19,686	2,829,940	59,635
Social Services:								
Administration	6,606,202	1,031,617	7,637,819	4,722,482	2,418,470	346,155	7,487,107	150,712
Employment Services	1,286,626	252,718	1,539,344	1,077,476	435,496	26,338	1,539,310	34
Public Assistance	430,748	117,928	548,676		548,676		548,676	-
Purchase of Services	4,335,522	587,214	4,922,736		4,555,457		4,555,457	367,279
Prevention/Early Intervention Services		199,191	199,191	8,117	190,490		198,607	584
Emergency Fuel	41,078	(9,681)	31,397	28,435	2,962		31,397	-
Food Stamps	62,087	26,044	88,131	54,670	32,791	670	88,131	-
VISTA	610,097	19,247	629,344	271,751	355,133		626,884	2,460
Healthy Families Partnership	2,728,966	(23,057)	2,705,909	2,124,540	460,468	12,891	2,597,899	108,010
Coalition for Youth	445,737	55,399	501,136	156,379	259,153	3,580	419,112	82,024
Social Services - Total	16,547,063	2,256,620	18,803,683	8,443,850	9,259,096	389,634	18,092,580	711,103
Culture and Recreation:								
Recreation	2,598,843	615,346	3,214,189	2,149,708	863,749	170,972	3,184,429	29,760
Parks	4,251,001	141,401	4,392,402	2,500,049	1,682,483	67,206	4,249,738	142,664
Conventions and Tourism	2,227,273	256,710	2,483,983	741,577	1,349,086	56,811	2,147,474	336,509
The Hamptons	455,000	-	455,000	-	455,000	-	455,000	-
Culture and Recreation - Subtotal	9,532,117	1,013,457	10,545,574	5,391,334	4,350,318	294,989	10,036,641	508,933
Less amount reflected as transfers	(455,000)	(39,000)	(494,000)	-	(464,000)	-	(464,000)	(30,000)
Culture and Recreation - Total	9,077,117	974,457	10,051,574	5,391,334	3,886,318	294,989	9,572,641	478,933

(Continued)

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES, Concluded**  
**Fiscal Year Ended June 30, 2003**

**Exhibit B-3**

	Appropriations			Expenditures			Variance Under (Over)
	Budget July 1, 2002	Net Changes	Final June 30, 2003	Personal Services	Other Expenses	Capital Outlay	
Education:							
School Operations	\$ 52,587,936	\$ -	\$ 52,587,936	\$ -	\$ 52,587,888	\$ -	\$ 48
Public Library	2,058,527	76,533	2,135,060	1,369,779	692,042	3,000	70,239
Education - Subtotal	54,646,463	76,533	54,722,996	1,369,779	53,279,930	3,000	70,287
Less amount reflected as transfers	(52,587,936)	-	(52,587,936)	-	(52,587,888)	-	(48)
Education - Total	2,058,527	76,533	2,135,060	1,369,779	692,042	3,000	70,239
Total expenditures	121,150,690	6,005,463	127,156,153	59,726,997	59,002,342	2,903,061	5,523,753
Operating Transfers Out:							
Capital Projects Funds	5,960,862	3,466,244	9,427,106		6,807,386		2,619,720
Enterprise Funds	7,688,638		7,688,638		7,685,997		2,641
Special Revenue Funds	1,884,095	501,614	2,385,709		1,498,031		887,678
Component Unit - IDA	40,400	195,000	235,400		158,653		76,747
Component Unit - School Board	52,587,936		52,587,936		52,587,888		48
Debt Service Funds	18,479,014	(195,000)	18,284,014	-	18,260,855	-	23,159
Transfers - Total	86,640,945	3,967,858	90,608,803	-	86,998,810	-	3,609,993
Total expenditures and transfers	\$ 207,791,635	\$ 9,973,321	\$ 217,764,956	\$ 59,726,997	\$ 146,001,152	\$ 2,903,061	\$ 9,133,746

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2003**

**Exhibit C-1**

	Special Revenue							Permanent Fund	
	Federal Grants	Community Development	EXCEL	Enhanced Emergency Telephone Service	Stormwater Management	Pembroke Complex	Law Library	Pearl I. Young	Total Non-major Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 2,964,897	\$ 1,073,849	\$ 1,152	\$ 546,565	\$ 3,327,377	\$ 450,200	\$ 117,048	\$ 58,982	\$ 8,540,070
Accounts receivables:									
Due from other governments	1,196,810	91,523							1,288,333
Other	41	492	308,955	252,800	356,422		51	25	918,786
Notes receivable		78,538							78,538
Due from other funds	43,495	-	18,283	-	40,911	-	-	-	102,689
Total assets	<u>\$ 4,205,243</u>	<u>\$ 1,244,402</u>	<u>\$ 328,390</u>	<u>\$ 799,365</u>	<u>\$ 3,724,710</u>	<u>\$ 450,200</u>	<u>\$ 117,099</u>	<u>\$ 59,007</u>	<u>\$ 10,928,416</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 531,617	\$ 85,016	\$ 33,176	\$ 15,433	\$ 74,991	\$ 8,806	\$ 4,084	\$ -	\$ 753,123
Accrued liabilities	36,016	1,903	2,071	9,272	6,384	300			55,946
Deferred revenue	2,153,149	1,155,265	9,123		356,423				3,673,960
Due to other funds	1,465,290	2,218	186,992	15,996	137,125	15,031	2,448		1,825,100
Due to component units	19,171	-	-	-	-	-	-	-	19,171
Total liabilities	<u>4,205,243</u>	<u>1,244,402</u>	<u>231,362</u>	<u>40,701</u>	<u>574,923</u>	<u>24,137</u>	<u>6,532</u>	<u>-</u>	<u>6,327,300</u>
Fund balances:									
Unreserved:									
Designated for:									
Specific projects			69,214			426,063	110,567	59,007	664,851
E911 system				758,664					758,664
Undesignated	-	-	27,814	-	3,149,787	-	-	-	3,177,601
Total fund balances	<u>-</u>	<u>-</u>	<u>97,028</u>	<u>758,664</u>	<u>3,149,787</u>	<u>426,063</u>	<u>110,567</u>	<u>59,007</u>	<u>4,601,116</u>
Total liabilities and fund balances	<u>\$ 4,205,243</u>	<u>\$ 1,244,402</u>	<u>\$ 328,390</u>	<u>\$ 799,365</u>	<u>\$ 3,724,710</u>	<u>\$ 450,200</u>	<u>\$ 117,099</u>	<u>\$ 59,007</u>	<u>\$ 10,928,416</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2003**

**Exhibit C-2**

	Special Revenue						Permanent Fund	Total Non-major Governmental Funds
	Federal Grants	Community Development	EXCEL	Enhanced Emergency Telephone Service	Stormwater Management	Pembroke Complex	Law Library	Pearl I. Young
Revenues:								
Other local taxes	\$ -	\$ -	\$ 1,202,965	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:								
From the Commonwealth of Virginia	4,827,087		6,025	275,703				
From the Federal government	2,045,619	2,155,295						
From other local governments	79,676							
Revenues from use of money and property	5,350		35,034			371,872	1,443	605
Charges for services					3,802,967			
Miscellaneous	550,399	233,486	455,396	2,132,147	-	-	59,916	-
Total revenues	7,508,131	2,388,781	1,699,420	2,407,850	3,802,967	371,872	61,359	605
Expenditures:								
Current:								
General government	177,327	2,388,781	467,163	2,412,863		657,873	68,554	
Public safety	3,500,946							
Sanitation					1,860,784			
Social services	5,121,060							
Culture and recreation	101,829		1,539,224					
Education	-	-	-	-	-	-	-	-
Total expenditures	8,901,162	2,388,781	2,006,387	2,412,863	1,860,784	657,873	68,554	-
Excess of revenues over (under) expenditures	(1,393,031)	-	(306,967)	(5,013)	1,942,183	(286,001)	(7,195)	605
Other financing sources (uses):								
Transfers in	1,393,031		160,000					
Transfers out	-	-	-	-	(1,226,968)	-	-	-
Net other financing sources (uses)	1,393,031	-	160,000	-	(1,226,968)	-	-	-
Net change in fund balances			(146,967)	(5,013)	715,215	(286,001)	(7,195)	605
Fund balances, beginning of year	-	-	243,995	763,677	2,434,572	712,064	117,762	58,402
Fund balances, end of year	\$ -	\$ -	\$ 97,028	\$ 758,664	\$ 3,149,787	\$ 426,063	\$ 110,567	\$ 59,007

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
June 30, 2003**

Exhibit D-1

ASSETS	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
Current assets:				
Cash and cash equivalents	\$ 5,018,960	\$ 2,790	\$ 325,748	\$ 5,347,498
Accounts receivable	61,230	779	1,096,138	1,158,147
Due from other funds	8,542	28	56,144	64,714
Due from component units			19,511	19,511
Inventories	32,350	35,438	-	67,788
Total current assets	<u>5,121,082</u>	<u>39,035</u>	<u>1,497,541</u>	<u>6,657,658</u>
Capital assets				
Land and improvements	164,079	2,295,538	4,811,174	7,270,791
Buildings and improvements	12,652,985	1,047,464		13,700,449
Improvements other than buildings	1,447,037	774,823	2,971	2,224,831
Equipment	1,057,064	547,155	8,386,793	9,991,012
Construction in progress	34,254			34,254
Less accumulated depreciation	<u>(10,299,786)</u>	<u>(1,314,806)</u>	<u>(8,439,333)</u>	<u>(20,053,925)</u>
Net capital assets	<u>5,055,633</u>	<u>3,350,174</u>	<u>4,761,605</u>	<u>13,167,412</u>
Total assets	<u>\$ 10,176,715</u>	<u>\$ 3,389,209</u>	<u>\$ 6,259,146</u>	<u>\$ 19,825,070</u>

Business-Type Activities - Non-major Enterprise Funds				
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 420,415	\$ 16,884	\$ 322,885	\$ 760,184
Accrued leave	78,713	21,579	147,761	248,053
Due to other funds	16,925	375,700	81,660	474,285
Deferred revenue	189,165			189,165
Current portion of long-term debt		35,488	93,000	128,488
Other liabilities	<u>33,741</u>	<u>10,323</u>	<u>8,246</u>	<u>52,310</u>
Total current liabilities	738,959	459,974	653,552	1,852,485
Notes payable			186,000	186,000
Obligations under capital leases	<u>-</u>	<u>116,335</u>	<u>-</u>	<u>116,335</u>
Total liabilities	<u>738,959</u>	<u>576,309</u>	<u>839,552</u>	<u>2,154,820</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,055,633	3,198,351	4,482,605	12,736,589
Unrestricted	<u>4,382,123</u>	<u>(385,451)</u>	<u>936,989</u>	<u>4,933,661</u>
Total net assets	<u>9,437,756</u>	<u>2,812,900</u>	<u>5,419,594</u>	<u>17,670,250</u>
Total liabilities and net assets	<u>\$ 10,176,715</u>	<u>\$ 3,389,209</u>	<u>\$ 6,259,146</u>	<u>\$ 19,825,070</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF HAMPTON, VIRGINIA**  
**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**Fiscal Year Ended June 30, 2003**

Exhibit D-2

	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 10,522,426	\$ 788,878	\$ 6,480,658	\$ 17,791,962
Operating expenses:				
Personal services	1,103,626	404,867	1,840,515	3,349,008
Fringe benefits	263,238	91,438	578,614	933,290
Promoters' fees	4,822,502			4,822,502
City-sponsored events	1,142,189			1,142,189
Cost of goods sold	182,614	42,796		225,410
Utilities	255,195	51,727	716	307,638
Insurance	106,308	10,119	120,446	236,873
Operating supplies	420,590	90,244	81,186	592,020
Equipment rental	19,216	26,860	462	46,538
Equipment and building repairs	174,249	35,716	920,211	1,130,176
Telephone and postage	29,359	7,913	11,434	48,706
Amusement tax	747,889			747,889
General expense	266,135	4,250	92,813	363,198
Claims				-
Landfill costs			3,300,970	3,300,970
Contractual services	41,206	32,648	519,776	593,630
Indirect cost			193,429	193,429
Housing assistance payments				-
Depreciation and amortization	528,545	101,814	961,476	1,591,835
Total operating expenses	10,102,861	900,392	8,622,048	19,625,301
Operating income (loss)	419,565	(111,514)	(2,141,390)	(1,833,339)
Nonoperating revenues (expenses):				
Interest income				-
Interest and fiscal charges		(3,031)	(4,766)	(7,797)
Other	-	-	37,185	37,185
Net increase (decrease) in fair value of investments	-	-	-	-
Net nonoperating revenues (expenses)	-	(3,031)	32,419	29,388
Income (loss) before transfers and capital contributions	419,565	(114,545)	(2,108,971)	(1,803,951)
Capital contributions	113,355		2,971	116,326
Transfers in (out)	-	(100,000)	1,945,000	1,845,000
Change in net assets	532,920	(214,545)	(161,000)	157,375
Net assets, beginning of year	8,904,836	3,027,445	5,580,594	17,512,875
Net assets, end of year	\$ 9,437,756	\$ 2,812,900	\$ 5,419,594	\$ 17,670,250

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
NON-MAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Fiscal Year Ended June 30, 2003**

**Exhibit D-3**

	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 10,559,705	\$ 788,239	\$ 6,349,140	\$ 17,697,084
Cash payments to suppliers for goods and services	(8,586,215)	(409,112)	(6,196,798)	(15,192,125)
Cash payments to employees for services	(1,107,324)	(376,196)	(1,818,531)	(3,302,051)
Net cash provided by (used in) operating activities	866,166	2,931	(1,666,189)	(797,092)
<b>Cash flows from noncapital financing activities:</b>				
Operating transfers in from other funds			2,000,000	2,000,000
Cash paid to other funds	-	(100,000)	(55,000)	(155,000)
Net cash provided by (used in) noncapital financing activities	-	(100,000)	1,945,000	1,845,000
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(37,164)		(326,969)	(364,133)
Principal paid on revenue bond maturities and long-term debt		(17,847)	(93,000)	(110,847)
Interest paid on revenue bonds and long-term debt	-	(3,031)	(4,766)	(7,797)
Net cash provided by (used in) capital and related financing activities	(37,164)	(20,878)	(424,735)	(482,777)
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	829,002	(117,947)	(145,924)	565,131
Cash and cash equivalents (including restricted), July 1	4,189,958	120,737	471,672	4,782,367
Cash and cash equivalents (including restricted), June 30	\$ 5,018,960	\$ 2,790	\$ 325,748	\$ 5,347,498

	Business-Type Activities - Non-major Enterprise Funds			
	Coliseum	Golf and Tennis Center	Solid Waste	Totals
Operating income (loss)	\$ 419,565	\$ (111,516)	\$ (2,141,388)	\$ (1,833,339)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	528,545	101,814	961,476	1,591,835
Decrease (increase) in:				
Accounts receivable	(54,797)	(638)	(141,582)	(197,017)
Due from other funds	(2,032)		(12,132)	(14,164)
Due from component units				-
Inventories	4,387	(3,249)		1,138
Increase (decrease) in:				
Accounts payable	(45,319)	(9,262)	20,446	(34,135)
Accrued leave	(12,312)	(191)	21,986	9,483
Due to other funds	(77,284)	26,420	(412,182)	(463,046)
Other liabilities	13,337	(447)		12,890
Deferred revenue	92,076			92,076
Nonoperating revenues reported as operating revenues	-	-	37,187	37,187
Total adjustments	446,601	114,447	475,199	1,036,247
Net cash provided by (used in) operating activities	\$ 866,166	\$ 2,931	\$ (1,666,189)	\$ (797,092)
Non-cash transactions affecting investing capital and related financing activities:				
Acquisition of fixed assets through other funds' capital contributions	\$ 113,355	\$ -	\$ 2,971	\$ 116,326
Total non-cash transactions	\$ 113,355	\$ -	\$ 2,971	\$ 116,326

The accompanying notes are integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2003**

**Exhibit E-1**

<b>ASSETS</b>	<u>Equipment Replacement</u>	<u>Central Garage</u>	<u>Risk Management</u>	<u>Refuse-Steam Plant</u>	<u>Information Services</u>	<u>Totals</u>
Current assets:						
Cash and cash equivalents	\$ 6,061,808	\$ 152,230	\$ 5,359,295	\$ 2,472,811	\$ 314,041	\$ 14,360,185
Cash with fiscal agent			22,250			22,250
Accounts receivable	3,218	13,783	2,860	146,170	18,893	184,924
Due from other funds	1,828,592	89,978	836,200	184,863	39,787	2,979,420
Due from component units		11,286			75	11,361
Inventories	-	138,184	-	-	-	138,184
Total current assets	<u>7,893,618</u>	<u>405,461</u>	<u>6,220,605</u>	<u>2,803,844</u>	<u>372,796</u>	<u>17,696,324</u>
Capital assets:						
Improvements other than buildings				11,987,562		11,987,562
Equipment	21,728,988	694,808	3,777	1,710,725	502,310	24,640,608
Construction in progress				733,581		733,581
Accumulated depreciation	<u>(15,518,718)</u>	<u>(489,397)</u>	<u>(1,259)</u>	<u>(11,432,384)</u>	<u>(466,936)</u>	<u>(27,908,694)</u>
Net capital assets	<u>6,210,270</u>	<u>205,411</u>	<u>2,518</u>	<u>2,999,484</u>	<u>35,374</u>	<u>9,453,057</u>
Total assets	<u>\$ 14,103,888</u>	<u>\$ 610,872</u>	<u>\$ 6,223,123</u>	<u>\$ 5,803,328</u>	<u>\$ 408,170</u>	<u>\$ 27,149,381</u>

**LIABILITIES**

	<u>Equipment Replacement</u>	<u>Central Garage</u>	<u>Risk Management</u>	<u>Refuse-Steam Plant</u>	<u>Information Services</u>	<u>Totals</u>
Current liabilities:						
Accounts payable	\$ 5,400	\$ 177,673	\$ 104,654	\$ 334,658	\$ 53,126	\$ 675,511
Accrued interest payable				55,970		55,970
Accrued leave		83,033	12,664	88,912	15,502	200,111
Due to other funds	-	96,424	279	74,873	2,328	173,904
Deferred revenue						-
Current portion of long-term debt			1,555,827	168,297		1,724,124
Other liabilities	-	5,170	821	7,332	926	14,249
Total current liabilities	5,400	362,300	1,674,245	730,042	71,882	2,843,869
Notes payable	-	-	708,957	888,268	-	1,597,225
Total liabilities	5,400	362,300	2,383,202	1,618,310	71,882	4,441,094
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	6,210,270	205,411	2,518	2,111,216	35,374	8,564,789
Unrestricted	7,888,218	43,161	3,837,403	2,073,802	300,914	14,143,498
Total net assets	14,098,488	248,572	3,839,921	4,185,018	336,288	22,708,287
Total liabilities and net assets	\$ 14,103,888	\$ 610,872	\$ 6,223,123	\$ 5,803,328	\$ 408,170	\$ 27,149,381

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
INTERNAL SERVICE FUNDS**

**Exhibit E-2**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Fiscal Year Ended June 30, 2003**

	Equipment Replacement	Central Garage	Risk Management	Refuse-Steam Plant	Information Services	Totals
Operating revenues:						
Charges for services	\$ 1,679,804	\$ 3,429,614	\$ 4,039,671	\$ 4,538,333	\$ 1,712,590	\$ 15,400,012
Operating expenses:						
Personal services		999,305	217,953	1,373,854	205,736	2,796,848
Fringe benefits		286,354	46,690	350,564	47,416	731,024
Cost of goods sold		2,065,870				2,065,870
Utilities		45,347		200,375		245,722
Insurance		33,399	1,286,280	126,408		1,446,087
Operating supplies		41,956	3,586	141,830	87,301	274,673
Equipment rental		4,033	19,235	9,970	12,340	45,578
Equipment and building repairs		37,943		701,220	113,314	852,477
Telephone and postage		13,724	7,677	16,576	1,095,228	1,133,205
General expense		29,949	18,338	42,168	7,729	98,184
Claims			1,903,268			1,903,268
Landfill costs				615,713		615,713
Contractual services		13,971		113,147	42,969	170,087
Indirect cost				148,625		148,625
Depreciation and amortization	1,599,814	31,623	1,259	343,170	49,733	2,025,599
Total operating expenses	1,599,814	3,603,474	3,504,286	4,183,620	1,661,766	14,552,960
Operating income (loss)	79,990	(173,860)	535,385	354,713	50,824	847,052
Nonoperating revenues (expenses):						
Interest income	81,343		91,240	33,877		206,460
Interest and fiscal charges				(234,980)		(234,980)
Other	34,006	-	-	2,411	-	36,417
Net nonoperating revenues (expenses)	115,349	-	91,240	(198,692)	-	7,897
Income (loss) before operating transfers and capital contributions	195,339	(173,860)	626,625	156,021	50,824	854,949
Capital contributions	328,284					328,284
Transfers in (out)	-	-	(1,000,000)	-	-	(1,000,000)
Change in net assets	523,623	(173,860)	(373,375)	156,021	50,824	183,233
Net assets, beginning of year	13,574,865	422,432	4,213,296	4,028,997	285,464	22,525,054
Net assets, end of year	\$ 14,098,488	\$ 248,572	\$ 3,839,921	\$ 4,185,018	\$ 336,288	\$ 22,708,287

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Fiscal Year Ended June 30, 2003**

**Exhibit E-3**

	Equipment Replacement	Central Garage	Risk Management	Refuse-Steam Plant	Information Services	Totals
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 2,075,836	\$ 3,523,253	\$ 4,764,919	\$ 4,532,252	\$ 1,995,125	\$ 16,891,385
Cash payments to suppliers for goods and services		(2,417,443)	(3,513,455)	(2,349,470)	(1,549,141)	(9,829,509)
Cash payments to employees for services		(927,066)	(215,033)	(1,361,517)	(205,486)	(2,709,102)
Net cash provided by (used in) operating activities	<u>2,075,836</u>	<u>178,744</u>	<u>1,036,431</u>	<u>821,265</u>	<u>240,498</u>	<u>4,352,774</u>
<b>Cash flows from noncapital financing activities:</b>						
Transfers in from other funds	(46,547)					(46,547)
Cash paid to other funds			(1,000,000)			(1,000,000)
Net cash provided by (used in) noncapital financing activities	<u>(46,547)</u>	<u></u>	<u>(1,000,000)</u>	<u></u>	<u></u>	<u>(1,046,547)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	(1,118,934)	(26,914)		(1,421,128)	(8,643)	(2,575,619)
Principal paid on revenue bond maturities and long-term debt				(161,665)		(161,665)
Interest paid on revenue bonds and long-term debt				(236,697)		(236,697)
Proceeds from issuance of revenue bonds and long-term debt				966,637		966,637
Capital contributions	311,543					311,543
Proceeds from sale of capital assets	<u>43,723</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>43,723</u>
Net cash provided by (used in) capital and related financing activities	<u>(763,668)</u>	<u>(26,914)</u>	<u></u>	<u>(852,853)</u>	<u>(8,643)</u>	<u>(1,652,078)</u>
<b>Cash flows from investing activities:</b>						
Interest and dividends on investments	<u>81,633</u>	<u></u>	<u>91,240</u>	<u>33,877</u>	<u></u>	<u>206,750</u>
Net cash provided by (used in) investing activities	<u>81,633</u>	<u></u>	<u>91,240</u>	<u>33,877</u>	<u></u>	<u>206,750</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,347,254	151,830	127,671	2,289	231,855	1,860,899
Cash and cash equivalents (including restricted), July 1	<u>4,714,554</u>	<u>400</u>	<u>5,253,874</u>	<u>2,470,522</u>	<u>82,186</u>	<u>12,521,536</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 6,061,808</u>	<u>\$ 152,230</u>	<u>\$ 5,381,545</u>	<u>\$ 2,472,811</u>	<u>\$ 314,041</u>	<u>\$ 14,382,435</u>

	Equipment Replacement	Central Garage	Risk Management	Refuse-Steam Plant	Information Services	Totals
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 2,075,836	\$ 3,523,253	\$ 4,764,919	\$ 4,532,252	\$ 1,995,125	\$ 16,891,385
Cash payments to suppliers for goods and services		(2,417,443)	(3,513,455)	(2,349,470)	(1,549,141)	(9,829,509)
Cash payments to employees for services	-	(927,066)	(215,033)	(1,361,517)	(205,486)	(2,709,102)
Net cash provided by (used in) operating activities	<u>2,075,836</u>	<u>178,744</u>	<u>1,036,431</u>	<u>821,265</u>	<u>240,498</u>	<u>4,352,774</u>
<b>Cash flows from noncapital financing activities:</b>						
Transfers in from other funds	(46,547)					(46,547)
Cash paid to other funds	-	-	(1,000,000)	-	-	(1,000,000)
Net cash provided by (used in) noncapital financing activities	<u>(46,547)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>	<u>(1,046,547)</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition and construction of capital assets	(1,118,934)	(26,914)		(1,421,128)	(8,643)	(2,575,619)
Principal paid on revenue bond maturities and long-term debt				(161,665)		(161,665)
Interest paid on revenue bonds and long-term debt				(236,697)		(236,697)
Proceeds from issuance of revenue bonds and long-term debt				966,637		966,637
Capital contributions	311,543					311,543
Proceeds from sale of capital assets	<u>43,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,723</u>
Net cash provided by (used in) capital and related financing activities	<u>(763,668)</u>	<u>(26,914)</u>	<u>-</u>	<u>(852,853)</u>	<u>(8,643)</u>	<u>(1,652,078)</u>
<b>Cash flows from investing activities:</b>						
Interest and dividends on investments	<u>81,633</u>	<u>-</u>	<u>91,240</u>	<u>33,877</u>	<u>-</u>	<u>206,750</u>
Net cash provided by (used in) investing activities	<u>81,633</u>	<u>-</u>	<u>91,240</u>	<u>33,877</u>	<u>-</u>	<u>206,750</u>
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	1,347,254	151,830	127,671	2,289	231,855	1,860,899
Cash and cash equivalents (including restricted), July 1	<u>4,714,554</u>	<u>400</u>	<u>5,253,874</u>	<u>2,470,522</u>	<u>82,186</u>	<u>12,521,536</u>
Cash and cash equivalents (including restricted), June 30	<u>\$ 6,061,808</u>	<u>\$ 152,230</u>	<u>\$ 5,381,545</u>	<u>\$ 2,472,811</u>	<u>\$ 314,041</u>	<u>\$ 14,382,435</u>

The accompanying notes are an integral part of the financial statements.



**Permanent Fund:****Pearl I. Young:**

Other

\$ 26**Debt Service Fund:**

Other

\$ 207**Capital Projects Fund:**

From the Commonwealth of Virginia:

\$ 1,500,000**Component Unit-School Board:**

From the Commonwealth of Virginia:

Special education

\$ 426,686

Grants

46,276

State reimbursement:

Teacher retirement

148,541

Social security benefits

256,056

Sales taxes

1,453,870

From the Federal Government:

Federal grants

5,309,840

ROTC

26,677

School lunch program

184,312

From other localities:

City of Newport News

6,461

County of York

46

Other

727,583

Total Component Unit-School Board

\$ 8,586,347

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING BALANCE SHEET**  
**June 30, 2003**

**Exhibit G-1**

	Operating	Student Activities	Food Services	Special Revenue	Reimbursable Projects	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,150	\$ 136,208	\$ 2,989,421	\$ 167,180	\$ 1,689,875	\$ 4,994,834
Investments				6,874		6,874
Accounts receivables	527,360					527,360
Due from primary government			19,171			19,171
Due from other funds	8,448,474	85,631	15,415		1,402,806	9,952,326
Due from other governments	2,399,215		200,464		5,459,308	8,058,987
Inventories			226,303	-	-	226,303
Total assets	<u>\$ 11,387,199</u>	<u>\$ 221,839</u>	<u>\$ 3,450,774</u>	<u>\$ 174,054</u>	<u>\$ 8,551,989</u>	<u>\$ 23,785,855</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities:</b>						
Accounts payable and other liabilities	\$ 2,300,971	\$ 1,288	\$ 1,888	\$ -	\$ 20,914	\$ 2,325,061
Due to other funds	1,478,667	123,585	1,036,685		7,313,389	9,952,326
Due to primary government	30,920		-			30,920
Deferred revenue	28,497	-	-	-	1,217,686	1,246,183
Total liabilities	<u>3,839,055</u>	<u>124,873</u>	<u>1,038,573</u>	<u>-</u>	<u>8,551,989</u>	<u>13,554,490</u>
<b>Fund Balance</b>						
Reserved for encumbrances	6,156,972					6,156,972
Unreserved						
Designated for schools	1,391,172	96,966	2,412,201	174,054	-	4,074,393
Total fund balance	<u>7,548,144</u>	<u>96,966</u>	<u>2,412,201</u>	<u>174,054</u>	<u>-</u>	<u>10,231,365</u>
Total liabilities and fund balances	<u>\$ 11,387,199</u>	<u>\$ 221,839</u>	<u>\$ 3,450,774</u>	<u>\$ 174,054</u>	<u>\$ 8,551,989</u>	<u>\$ 23,785,855</u>
Total fund balance						\$ 10,231,365
Amounts reported for governmental activities in the Statement of Net Assets are different because:						
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6)						
Accumulated depreciation on capital assets. (Note 6)						82,401,665 (59,716,770)
Other assets not available to pay current-period expenditures and, therefore, are deferred in the funds.						
						28,496
Long-term liabilities incurred for capital assets. (Note 8)						
						(1,662,474)
Long-term liability for compensated absences. (Note 8)						
						(5,541,494)
Net assets of governmental activities						<u>\$ 25,740,788</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year Ended June 30, 2003**

Exhibit G-2

	Operating	Student Activities	Food Services	Special Revenue	Reimbursable Projects	Total
<b>Revenues:</b>						
State funds	\$ 100,201,901	\$ -	\$ 130,785	\$ -	\$ 1,524,884	\$ 101,857,370
Federal fund (includes pass through)	1,402,870	-	3,878,581	-	9,017,398	14,098,849
Other receipts	147,056	150,732	3,438,886	6,204	1,829,274	5,372,152
Net increase in fair value of investments	-	-	-	362	-	362
<b>Total revenues</b>	<b>101,751,827</b>	<b>150,732</b>	<b>7,246,252</b>	<b>6,566</b>	<b>12,171,356</b>	<b>121,326,733</b>
<b>Expenditures:</b>						
Education	151,845,911	439,862	6,752,748	5,935	12,152,823	170,997,277
<b>Excess of revenues over (under) expenditures</b>	<b>(49,894,084)</b>	<b>(289,130)</b>	<b>493,506</b>	<b>631</b>	<b>18,533</b>	<b>(49,670,544)</b>
<b>Other financing sources (uses):</b>						
Transfer from:						
Cafeteria Fund	260,000	-	-	-	-	260,000
School Operating Fund	-	316,000	-	-	-	316,000
Reimbursable Projects Fund	-	18,533	-	-	-	18,533
Primary government	52,587,888	-	-	-	-	52,587,888
Transfer to:						
School Operating Fund	-	-	(260,000)	-	-	(260,000)
Student Activities Fund	(316,000)	-	-	-	(18,533)	(334,533)
<b>Total other sources (uses)</b>	<b>52,531,888</b>	<b>334,533</b>	<b>(260,000)</b>	<b>-</b>	<b>(18,533)</b>	<b>52,587,888</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>2,637,804</b>	<b>45,403</b>	<b>233,506</b>	<b>631</b>	<b>-</b>	<b>2,917,344</b>
<b>Fund balance - July 1</b>	<b>4,810,340</b>	<b>51,563</b>	<b>2,178,695</b>	<b>173,423</b>	<b>-</b>	<b>7,314,021</b>
<b>Fund balance - June 30</b>	<b>\$ 7,548,144</b>	<b>\$ 96,966</b>	<b>\$ 2,412,201</b>	<b>\$ 174,054</b>	<b>\$ -</b>	<b>\$ 10,231,365</b>
<b>Net change in fund balances - total school funds</b>						<b>\$ 2,917,344</b>
Amounts reported for governmental activities in the Statement of Activities are different because:						
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6)						
Capital outlay						4,700,208
Depreciation expense						(4,845,013)
In the statement of activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6)						(65,465)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.						25,000
Capital lease financing for the acquisition of capital assets does not provide current financial resources. Capital assets acquired by capital lease financing are not reported as expenditures in the governmental funds. (Note 8)						(1,641,132)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (Note 8)						852,473
Increase of compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8)						(805,235)
<b>Change in net assets of governmental activities</b>						<b>\$ 1,138,180</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2003**

School Board - School Operating Fund				Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental:				
State funds	\$ 99,305,818	\$ 100,705,818	\$ 100,201,901	\$ (503,917)
Federal funds (includes pass through)	957,527	957,527	1,402,870	445,343
Miscellaneous	203,386	203,386	147,056	(56,330)
Total revenues	<u>100,466,731</u>	<u>101,866,731</u>	<u>101,751,827</u>	<u>(114,904)</u>
Expenditures:				
Current:				
Education	<u>152,998,667</u>	<u>151,923,092</u>	<u>151,645,911</u>	<u>(277,181)</u>
Total expenditures	<u>152,998,667</u>	<u>151,923,092</u>	<u>151,645,911</u>	<u>(277,181)</u>
Excess of revenues over (under) expenditures	<u>(52,531,936)</u>	<u>(50,056,361)</u>	<u>(49,894,084)</u>	<u>(162,277)</u>
Other financing sources (uses):				
Transfers from (to) primary government	52,587,936	52,587,936	52,587,888	(48)
Transfers from (to) component units				
Transfers in	260,000	260,000	260,000	-
Transfers out	<u>(316,000)</u>	<u>(316,000)</u>	<u>(316,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>52,531,936</u>	<u>52,531,936</u>	<u>52,531,888</u>	<u>(48)</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	2,475,575	2,637,804	\$ <u>162,229</u>
Appropriations from fund balance		3,681,397		
Appropriations - encumbrances		<u>(6,156,972)</u>		
Budget - excess of revenues and appropriations from fund balance over (under) expenditures		-		
Fund balance - July 1	-	-	<u>4,910,340</u>	
Fund balance - June 30	\$ -	\$ -	\$ <u>7,548,144</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF THE TREASURER'S ACCOUNTABILITY**  
**June 30, 2003**

**Schedule 1**

<b>Assets held by the Treasurer:</b>	
Cash on hand	\$ 8,050
Cash in banks:	
Bank of America	16,681,876
Old Point National Bank	4,012,811
SouthTrust Bank	719,310
Certificates of deposit:	
Consolidated Bank & Trust	97,000
Investments:	
State Local Government Investment Pool	23,000,000
Investment in mutual and money market funds	20,733,926
Corporate bonds	2,083,017
U.S. Government securities	6,888,125
Commercial paper	4,620,558
Repurchase agreement	1,600,533
<b>Total assets</b>	<b>\$ 80,445,206</b>
<b>Liabilities of the Treasurer:</b>	
Balance of City funds	<b>\$ 80,445,206</b>
<b>Cash and cash equivalents per Exhibit A-1</b>	
Primary Government	\$ 76,313,706
School Board	4,994,834
Industrial Development Authority	831,805
<b>General Fund Investments per Exhibit A-3</b>	<b>1,346,974</b>
<b>Restricted cash and investments - Enterprise Funds (excluding HRHA) per Exhibit A-5</b>	
Cash and cash equivalents	1,821,334
Investments	2,109,048
Other:	
Cash and cash equivalents	8,319,270
<b>Cash and cash equivalents - Agency Funds per Exhibit A-8</b>	<b>265,010</b>
<b>Investments - component Unit - IDA</b>	<b>133,739</b>
<b>Adjust investments in CAFR from fair value to cost</b>	<b>(3,887)</b>
<b>Less:</b>	
Petty cash	\$ (21,172)
Cash held by HRHA	(2,859,404)
Cash and investments held by trustees	(12,806,050)
Rounding	(1)
<b>Balance of City funds</b>	<b>\$ 80,445,206</b>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT**  
**INDUSTRIAL DEVELOPMENT AUTHORITY**  
**June 30, 2003**

**Schedule 2**

	Industrial Development Authority
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 152,337
Cash payments to suppliers for goods and services	(5,960,600)
Cash payments to employees for services	(4,800)
Other receipts (payments)	5,180
Net cash provided by (used in) operating activities	(5,807,883)
<b>Cash flows from noncapital financing activities:</b>	
Transfers in from primary government	7,089,403
Net cash provided by (used in) noncapital financing activities	7,089,403
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(1,319,323)
Principal paid on revenue bond maturities and long-term debt	(338,299)
Interest paid on revenue bonds and long-term debt	(449,892)
Net cash provided by (used in) capital and related financing activities	(2,107,514)
<b>Cash flows from investing activities:</b>	
Purchase of investment securities	(174,115)
Sale of investment securities	271,841
Interest and dividends on investments	24,847
Proceeds from collection of loans	472,111
Proceeds from collection of lease receivable	375,998
Interest received on loans	83,123
Interest received on lease receivable	743,181
Disbursements for loans	(739,000)
Net cash provided by (used in) investing activities	1,057,986
Net increase (decrease) in cash and cash equivalents (including restricted amounts)	231,992
Cash and cash equivalents (including restricted), July 1	2,992,531
Cash and cash equivalents (including restricted), June 30	\$ 3,224,523

Operating income (loss)	\$ (5,728,821)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	1,967
Bad debt expense	26,689
Decrease (increase) in:	
Accounts receivable	13,954
Notes receivable	(469,828)
Due from primary government	23,734
Prepaid expenses and other assets	21,258
Increase (decrease) in:	
Accounts payable	(168,460)
Due to primary government	450
Deferred revenue	483,125
Accounts receivable reported as nonoperating activities	13,791
Accounts payable reported as nonoperating activities	20,545
Due from/to primary government reported as nonoperating activity	(46,287)
Total adjustments	(79,062)
Net cash provided by (used in) operating activities	\$ (5,807,883)
Non-cash transactions affecting investing capital and related financing activities:	
Acquisition of fixed assets through capital contributions	\$ 17,490
Total non-cash transactions	\$ 17,490

**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**Fiscal Year Ended June 30, 2003**

Schedule 3

	<u>Appropriations</u>				<u>Variance Over (Under)</u>
	<u>Budget July 1, 2002</u>	<u>Net Changes</u>	<u>Final June 30, 2003</u>	<u>Expenditures</u>	
Expenditures:					
Administration/attendance and health	\$ 8,288,797	\$ (354,430)	\$ 7,934,367	\$ 7,923,140	\$ (11,227)
Instructional	120,533,452	(1,784,271)	118,749,181	118,536,172	(213,009)
Public transportation services	7,899,669	77,719	7,977,388	7,930,514	(46,874)
Operation and maintenance of school plant	<u>16,276,749</u>	<u>985,407</u>	<u>17,262,156</u>	<u>17,256,085</u>	<u>(6,071)</u>
Total expenditures	<u>152,998,667</u>	<u>(1,075,575)</u>	<u>151,923,092</u>	<u>151,645,911</u>	<u>(277,181)</u>
Operating transfers out:					
To Student Activities Fund	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total transfers	<u>316,000</u>	<u>-</u>	<u>316,000</u>	<u>316,000</u>	<u>-</u>
Total expenditures and transfers	<u>\$ 153,314,667</u>	<u>\$ (1,075,575)</u>	<u>\$ 152,239,092</u>	<u>\$ 151,961,911</u>	<u>\$ (277,181)</u>



**CITY OF HAMPTON, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHOOL OPERATING FUND**  
**SCHEDULE OF REVENUE AND OTHER CREDITS - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2003**

	Budget Revenues	Actual Revenues	Variance Over (Under)
ite funds:			
Basic appropriation	\$ 55,153,479	\$ 55,367,774	\$ 214,295
At risk payment	1,149,927	1,164,409	14,482
Salary supplement	-	-	-
Remedial education	1,105,940	1,120,420	14,480
Reduced K-3 incentive	1,895,884	1,841,069	(54,815)
Teacher retirement	1,710,799	1,752,714	41,915
Social security benefits	2,989,425	3,046,902	57,477
Group life insurance	-	-	-
Special education	7,603,344	7,684,086	80,742
Textbook payments	1,252,996	1,279,316	26,320
Remedial summer school	425,613	627,537	201,924
Maintenance reserve	-	-	-
At risk 4 year old	921,454	921,454	-
Gifted	598,560	611,138	12,578
Foster home	285,656	402,224	116,568
Vocational education	1,160,024	1,111,786	(48,238)
VPSA ed tech grant	986,000	986,000	-
Truancy	-	-	-
SOL materials	213,619	172,725	(40,894)
Reading intervention	416,071	276,777	(139,294)
Remediation assistance	470,203	404,038	(66,165)
Sales tax	17,941,666	17,109,235	(832,431)
Lottery	3,761,608	4,162,361	400,753
Other state funds	663,550	159,936	(503,614)
Total	100,705,818	100,201,901	(503,917)
ederal funds:			
Public law 874	686,892	1,110,470	423,578
Impact aid special education	82,179	73,140	(9,039)
U.S. Army - ROTC	61,962	73,928	11,966
U.S. Air Force - ROTC	38,548	45,104	6,556
U.S. Navy - ROTC	46,382	50,858	4,476
U.S. Marine Corps - ROTC	41,564	49,370	7,806
Total	957,527	1,402,870	445,343
ier funds:			
Fees from students	41,067	40,769	(298)
Tuition from regular day students	6,600	-	(6,600)
Rents, rebates and sales	35,000	7,505	(27,495)
Interest	40,000	18,313	(21,687)
Other	80,719	80,469	(250)
Total	203,386	147,056	(56,330)
Total revenues	101,866,731	101,751,827	(114,904)
ier credits:			
Transfer from General Fund	52,587,936	52,587,888	(48)
Transfer from Cafeteria Fund	260,000	260,000	-
Appropriation from fund balance - encumbrances	3,681,398	3,681,398	-
Total revenues and other credits	\$ 158,396,065	\$ 158,281,113	\$ (114,952)

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF ACCOUNTS RECEIVABLE BY SOURCE -**  
**ALL GOVERNMENTAL FUND TYPES AND DISCRETELY**  
**PRESENTED COMPONENT UNIT - SCHOOL BOARD**

**Schedule 5**

**June 30, 2003**

**General Fund:**

From Commonwealth of Virginia:	
Sales and use taxes	\$ 921,462
Public assistance	1,512,117
Street and highway maintenance	2,458,456
Foster Care Prevention and Preplacement	325,644
Other	820,654
General property taxes (net of an allowance for uncollectible taxes of \$3,200,343)	7,933,512
Other	1,459,995
Total General Fund	<u>\$ 15,431,841</u>

**Special Revenue Funds:**

**Federal Grants Fund:**

From the Commonwealth of Virginia	\$ 670,545
From the Federal Government	526,265
Other	41
Total Federal Grants Fund	<u>1,196,851</u>

**Community Development Fund:**

From the Federal government:	91,523
Other	492
Total Community Development Fund	<u>92,015</u>

**Economic Development Fund:**

Other	<u>168,364</u>
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**Excel Fund:**

Franchise Cable Tax	<u>308,955</u>
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**Enhanced Emergency Telephone Service:**

E911 taxes	<u>252,800</u>
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**Stormwater Management Fees**

356,422

**Law Library:**

Other	<u>51</u>
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    Total Special Revenue Funds \$ 2,375,458

**Permanent Fund:****Pearl I. Young:**

Other

\$ 26**Debt Service Fund:**

Other

\$ 207**Capital Projects Fund:**

From the Commonwealth of Virginia:

\$ 1,500,000**Component Unit-School Board:**

From the Commonwealth of Virginia:

Special education

\$ 426,686

Grants

46,276

State reimbursement:

Teacher retirement

148,541

Social security benefits

256,056

Sales taxes

1,453,870

From the Federal Government:

Federal grants

5,309,840

ROTC

26,677

School lunch program

184,312

From other localities:

City of Newport News

6,461

County of York

46

Other

727,583

Total Component Unit-School Board

\$ 8,586,347

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2003**

**Schedule 6**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2002	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2003
			Federal	State/Local		
DEPARTMENT OF AGRICULTURE:						
FOOD STAMP CLUSTER:						
Pass-through payments:						
Department of Social Services:						
State Administrative Matching Grants for Food Stamp Program (12-3505)	10.561	-	1,737,067	1,400,408	3,137,475	-
Total Food Stamp Cluster		-	1,737,067	1,400,408	3,137,475	-
NUTRITION CLUSTER:						
Direct payments:						
Summer Food Service Program for Children (02-51-56397-000)	10.559		95,360		95,360	
Pass-through payments:						
Department of Education:						
National School Breakfast Program (112)	10.553		688,285		688,285	
National School Lunch Program (112)	10.556		2,988,296	130,785	3,119,081	
Department of Agriculture and Consumer Services:						
Donated Commodities	10.555	101,878	430,788	-	509,517	23,149
Total Nutrition Cluster		101,878	4,202,729	130,785	4,412,243	23,149
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:						
CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER:						
Direct payments:						
Community Development Block Grant Program, Entitlement Grants: (\$1,770,731 provided to subrecipient)	14.218		1,554,348	216,383	1,770,731	
OTHER						
Direct payments:						
Community Development Block Grant Program, Entitlement Grants: Home Program (\$618,050 provided to subrecipient)	14.239	-	600,947	17,103	618,050	-
Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster		-	2,155,295	233,486	2,388,781	-

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2002	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2003
			Federal	State/Local		
DEPARTMENT OF JUSTICE:						
Direct payments:						
Bulletproof Vest Partnership Grant	16.607	\$ -	\$ 857	\$ 857	\$ 1,715	\$ -
Local Law Enforcement Block Grants Program	16.592		129,102	19,695	148,797	
COPS in Schools (2000SHWX0678)	16.710		156,277		156,277	
State Criminal Alien Assistance Program (AP-BX-1290)	16.606		31,191	-	31,191	
Pass-through payments:						
Department of Criminal Justice Services:						
Juvenile Accountability Incentive Block Grant (02-D3227JB01), (03-E3227JB02), (02-16-87704-00)	16.523		87,431	7,775	95,206	
Community Oriented Justice-Edward Byrne (03-A4200AD02)	16.579		23,781	7,928	31,709	
Hampton Domestic Violence Community Unified Response Effort (02-F9367VA01), (02-G9225VA01), (03-G9367VA02), (03-H9225VA02)	16.588		95,353	29,996	125,349	
Mobile Crime Unit (03-A4041BY99)	16.000		4,768		4,768	
Department of Emergency Management						
Domestic Preparedness	16.592	-	3,757	-	3,757	-
Total Department of Justice		-	532,516	66,252	598,768	-
DEPARTMENT OF LABOR:						
Pass-through payments:						
Virginia Department of Social Services:						
Greater Peninsula Workforce Development Consortium:						
Welfare to Work (00-WTW-30225)	17.253		323,376		323,376	
Hard to Serve	93.558		91,056		91,056	
Economic and Employment Grant for Disadvantaged Persons	93.558	-	21,768	-	21,768	-
Total Department of Labor		-	436,201	-	436,201	-
FEDERAL EMERGENCY MANAGEMENT AGENCY:						
Pass-through payments:						
Department of Emergency Management:						
LPPA (Local Performance Partnership Agreement)	16.588		45,072		45,072	
Citizen Corps Grant (CERT)	83.564		322		322	
Emergency Management Assistance (EMP-00-PA-3105)	83.534	-	49,590	-	49,590	-
Total Federal Emergency Management Agency		-	94,984	-	94,984	-
DEPARTMENT OF INTERIOR:						
Direct payments:						
U.S. National Park Service						
Urban Park and Recreation Recovery (UPARR) (NPS-10-912)	10.912	-	69,061	3,699	72,760	-
Total Department of Interior		-	69,061	3,699	72,760	-

(Continued)

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued**  
**June 30, 2003**

**Schedule 6**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2002	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2003
			Federal	State/Local		
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:						
Direct payments:						
NASA LARC Visitor Center and Public Education Program (NCC-1-275)	43.000	\$ -	\$ 462,000	\$ -	\$ 462,000	\$ -
Teachers Resource Center Program (NAG-1-1661) (NAG-1-2130)	43.000		74,239		74,239	
NASA Exhibit Contract	43.000	-	137,423	-	137,423	-
Total National Aeronautics and Space Administration		-	673,662	-	673,662	-
DEPARTMENT OF EDUCATION:						
Direct payments:						
School Assistance in Federally Affected Areas	84.041	1,165,406	1,039,585		1,021,381	1,183,610
Pass-through payments:						
Department of Mental Health, Mental Retardation, and Substance Abuse Services:						
Early Intervention Services for Infants and Toddlers with Disabilities and their Families (99-00-15) (00-01-15)	84.181		526,214	60,759	586,973	
Department of Education:						
Project SERV	84.000		16,956		16,956	
Comprehensive School Reform (CSR)	84.332		32,234		32,234	
Adult Education State-Administered Program	84.002		161,422	33,987	195,409	
Title I:						
Educationally Deprived Children-LEA (112-00-1) (112-01-1)	84.010A		4,112,851		4,112,851	
Reach ED for Homeless Child (112-00-1) (112-01-1)						
(\$30,166 provided to subrecipient)	84.196		30,166		30,166	
Title II Training and Recruiting	84.367A		556,073		556,073	
Title III LEP, Immigrant	84.365		11,103		11,103	
Title V Innovative Programs	84.298A		37,523		37,523	
Title VI (formerly Chapter 2):						
Improving School Programs State Block Grant (112-T6-00)						
(112-T6-01)	84.298		97,906		97,906	
Class Size Reduction Initiative	84.340A		190,784		190,784	
Individuals with Disabilities Education Act (IDEA):						
Handicapped - State Grants (112-9798FT) (112-9899FT) (112-9900FT)	84.027A		2,909,997		2,909,997	
Title IVB - Sliver Grant (112-9900SL) (112-0001SL)	84.027A		14,042		14,042	
Assistive Technology	84.027A		1,456		1,456	
Handicapped Preschool Incentive Grant (112-PS9800) (112-PS9901)	84.173A		100,423		100,423	
Vocational Education - Financial Assistance to Instruction (171-03-50)	84.048		342,553		342,553	
High Schools That Work (VA-00-HSTW-201-HAMPKECOUG)	84.048A		13,390		13,390	

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2002	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2003
			Federal	State/Local		
DEPARTMENT OF EDUCATION, (Concluded):						
Title II Eisenhower (112-00) (112-01)	84.281	\$ -	\$ 127,652	\$ -	\$ 127,652	\$ -
Drug-Free Schools and Communities						
(\$57,818 provided to subrecipient)	84.186		136,250		136,250	
Drug-Free Schools and Communities	84.186		156,200		156,200	
Title III-Goals 2000 Educate America Act:						
State and Local Education Systemic Improvement						
(112-00-01-60900)	84.276A		383		383	
Office of the Governor:						
Reading Excellence	84.338		386,673		386,673	
Hampton Harbour Charter	84.282A		8,823		8,823	
Technology Literacy	84.318		90,743		90,743	
Total Department of Education		1,165,406	11,101,402	94,746	11,177,944	1,183,610
DEPARTMENT OF HEALTH AND HUMAN SERVICES:						
MEDICAID CLUSTER:						
Pass-through payments:						
Department of Social Services:						
Medical Assistance Program (Medicaid, Title XIX)	93.778	-	766,456	705,367	1,471,823	-
Total Medicaid Cluster		-	766,456	705,367	1,471,823	-
OTHER:						
Pass-through payments:						
Department of Education:						
Refugee School Impact	93.576		1,971		1,971	
Department of Social Services:						
Administration-State/Local Allocation	93.000		46,986	720,933	767,920	
Promoting Safe and Stable Families	93.556		50,353	16,784	67,138	
Temporary Assistance for Needy Families (TANF)	93.558		1,799,242	845,582	2,644,824	
Refugee & Entrant Assistance	93.566		1,303	278	1,581	
Low-Income Home Energy Assistance (LIHEAP)	93.568		28,737		28,737	
Child Care and Development Block Grant (CCDBG)	93.575		576,103		576,103	
Day Care Provider Training (LIC-00-036)	93.596		42,186	42,186	84,372	
Child Care Development Fund	93.596		758,803	636,451	1,395,255	
Family Support	93.645		25,261	8,420	33,682	
VISSTA (00-004-SVC)	93.658		406,902	135,634	542,536	
Foster Care - Title IV-E	93.658		3,248,620	898,216	4,146,836	
Adoption Assistance	93.659		271,723	169,074	440,797	
Social Services Block Grant (SSBG)	93.667		1,187,989	323,396	1,511,385	
Independent Living	93.674		23,343		23,343	
Administration Foster Care Pass-thru	93.687		77,274	77,274	154,549	
Total Department of Health and Human Services (Other)		-	8,546,798	3,874,231	12,421,028	

(Continued)

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Concluded**  
**June 30, 2003**

**Schedule 6**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Deferred Revenue Balance July 1, 2002	Revenues (Note B)		Expenditures	Deferred Revenue Balance June 30, 2003
			Federal	State/Local		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:						
FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER:						
Direct payments:						
Foster Grandparent Program (439-S036/21) (439-S036/22)	94.011	\$ -	\$ 336,823	\$ 76,439	\$ 413,262	\$ -
Total Foster Grandparent, Senior Companion Cluster		-	336,823	76,439	413,262	-
OTHER FEDERAL ASSISTANCE AND REIMBURSEMENTS:						
Proceeds of seized assets	16.000		4,050		4,050	
U.S. Army - ROTC	12.000		73,928	67,957	141,885	
U.S. Air Force - ROTC	12.000		45,104	44,099	89,203	
U.S. Navy - ROTC	12.000		50,858	68,012	118,870	
U.S. Marine Corps - ROTC	12.000	-	49,370	55,354	104,724	-
Total Other Federal Assistance and Reimbursements		-	223,310	235,422	458,732	-
Grand Total All Federally Assisted Programs and Grants		1,267,284	30,876,304	6,820,835	37,757,865	1,206,759

**Notes:**

**(A) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Hampton, Virginia. The City of Hampton single audit reporting entity is defined in Note 1, Reporting Entity, to the City's general purpose financial statements.

The Schedule of Expenditures of Federal Awards does not include federal funding of \$209,941 in the General Fund. This amount represents indirect costs allocated from other federally assisted programs administered by the City and is included in the federal revenues of the applicable program.

**(B) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

**(C) Blended Unit Financial Statements**

The Hampton Redevelopment Housing Authority (HRHA), a blended component unit, was audited by other auditors for its year ended December 31, 2002.

The auditor's report dated May 8, 2003 included reports on compliance and internal controls and the Schedule of Federal Awards.

A copy of the report can be obtained from:

Board of Commissioners  
Hampton Redevelopment and Housing Authority  
22 Lincoln Street  
Hampton, Virginia 23669



CITY OF HAMPTON, VIRGINIA  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
Museum Revenue Bonds  
June 30, 2003

Schedule 7

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Sinking Fund Required Payments</u>	<u>Less Investment Earnings</u>	<u>Total Debt Service</u>
2004	\$ -	\$ 798,263	\$ 990,000	\$ 49,350	\$ 1,738,913
2005		798,263	1,045,000	101,325	1,741,938
2006		798,263	1,100,000	156,188	1,742,075
2007		798,263	1,155,000	213,938	1,739,325
2008		798,263	1,215,000	274,574	1,738,689
2009	6,785,000	798,263	(5,505,000)	338,362	1,739,901
2010		392,700	1,350,000		1,742,700
2011		392,700	1,415,000	70,875	1,736,825
2012		392,700	1,490,000	145,163	1,737,537
2013		392,700	1,570,000	223,388	1,739,312
2014	<u>7,480,000</u>	<u>392,700</u>	<u>(5,825,000)</u>	<u>305,813</u>	<u>1,741,887</u>
Totals	<u>\$ 14,265,000</u>	<u>\$ 6,753,078</u>	<u>\$ -</u>	<u>\$ 1,878,976</u>	<u>\$ 19,139,102</u>

CITY OF HAMPTON, VIRGINIA  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
The Hamptons Revenue Bonds  
June 30, 2003

Schedule 8

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2004	\$ 200,000	\$ 141,300	\$ 341,300
2005	210,000	129,000	339,000
2006	215,000	116,250	331,250
2007	230,000	102,900	332,900
2008	240,000	88,800	328,800
2009	250,000	74,100	324,100
2010	260,000	58,800	318,800
2011	270,000	42,900	312,900
2012	285,000	26,250	311,250
2013	<u>295,000</u>	<u>8,850</u>	<u>303,850</u>
	<u>\$2,455,000</u>	<u>\$ 789,150</u>	<u>\$3,244,150</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**Convention Center Revenue Bonds**  
**June 30, 2003**

Schedule 9

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2004	\$ -	\$ 6,462,298	\$ 6,462,298
2005		5,360,431	5,360,431
2006		5,360,431	5,360,431
2007		5,360,431	5,360,431
2008		5,360,431	5,360,431
2009		5,360,431	5,360,431
2010		5,360,431	5,360,431
2011	2,155,000	5,360,432	7,515,432
2012	2,265,000	5,252,682	7,517,682
2013	2,340,000	5,173,406	7,513,406
2014	2,425,000	5,088,581	7,513,581
2015	2,555,000	4,961,269	7,516,269
2016	2,690,000	4,827,131	7,517,131
2017	2,830,000	4,685,907	7,515,907
2018	2,980,000	4,537,331	7,517,331
2019	3,505,000	4,380,881	7,885,881
2020	3,685,000	4,196,869	7,881,869
2021	3,920,000	4,003,406	7,923,406
2022	4,110,000	3,797,606	7,907,606
2023	4,310,000	3,581,831	7,891,831
2024	4,160,000	3,355,556	7,515,556
2025	4,375,000	3,142,356	7,517,356
2026	4,595,000	2,918,138	7,513,138
2027	4,835,000	2,682,644	7,517,644
2028	5,080,000	2,434,850	7,514,850
2029	5,340,000	2,174,500	7,514,500
2030	5,610,000	1,907,500	7,517,500
2031	5,890,000	1,627,000	7,517,000
2032	6,185,000	1,332,500	7,517,500
2033	6,490,000	1,023,250	7,513,250
2034	6,815,000	698,750	7,513,750
2035	7,160,000	358,000	7,518,000
	<u>\$ 106,305,000</u>	<u>\$ 122,127,260</u>	<u>\$ 228,432,260</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**Industrial Development Authority Revenue Bonds**  
**June 30, 2003**

Schedule 10

Fiscal Year Ending June 30,	1997		2002	Interest	Total Debt Service
	Taxable Principal	Tax-Exempt Principal	Tax-Exempt Principal		
2004	\$ 8,668	\$ 49,714	\$ 198,973	\$ 770,519	\$ 1,027,874
2005	9,451	53,591	347,110	745,394	1,155,546
2006	10,247	57,510	368,857	718,934	1,155,548
2007	11,110	61,714	391,967	690,756	1,155,547
2008	12,001	66,030	416,524	660,992	1,155,547
2009	13,055	71,053	442,620	628,818	1,155,546
2010	14,155	76,248	470,351	594,793	1,155,547
2011	15,346	81,823	499,819	558,559	1,155,547
2012	16,608	87,670	531,134	520,136	1,155,548
2013	18,037	94,215	564,410	478,885	1,155,547
2014	19,555	101,103	599,772	435,117	1,155,547
2015	21,202	108,494	637,348	388,503	1,155,547
2016	22,974	116,372	677,279	338,921	1,155,546
2017	24,921	124,934	719,712	285,979	1,155,546
2018	22,365	98,357	764,803	229,742	1,115,267
2019			812,720	177,340	990,060
2020			863,638	126,421	990,059
2021			917,746	72,313	990,059
2022	-	-	480,215	14,815	495,030
	<u>\$ 239,695</u>	<u>\$ 1,248,828</u>	<u>\$ 10,704,998</u>	<u>\$ 8,436,937</u>	<u>\$ 20,630,458</u>

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**Schedule 11**

**General Long-term Debt**

**June 30, 2003**

**Serial Bonds:**

Fiscal Year Ending June 30,	Principal	Interest	Sinking Fund (1)		Total Debt Service
			Required Payments	Less Investment Earnings	
2004	\$ 10,470,000	\$ 7,565,713	\$ -	\$ 872,438	\$ 17,163,275
2005	9,975,000	7,167,551		872,437	16,270,114
2006	10,490,000	6,703,135	1,985,000	10,178,438	8,999,697
2007	21,605,000	6,231,571	2,120,000	131,506	29,825,065
2008	9,025,000	5,166,994	2,260,000	271,956	16,180,038
2009	9,650,000	4,737,149	2,410,000	421,681	16,375,468
2010	9,895,000	4,287,812	2,570,000	11,926,344	4,826,468
2011	7,695,000	3,867,236			11,562,236
2012	8,045,000	3,513,839			11,558,839
2013	8,430,000	3,133,181			11,563,181
2014	9,155,000	2,696,469			11,851,469
2015	9,110,000	2,101,511			11,211,511
2016	5,180,000	1,653,408			6,833,408
2017	5,455,000	1,405,450			6,860,450
2018	5,135,000	1,138,950			6,273,950
2019	6,700,000	849,400			7,549,400
2020	5,730,000	543,350			6,273,350
2021	2,145,000	220,000			2,365,000
2022	2,255,000	112,750	-	-	2,367,750
Totals	<u>\$ 156,145,000</u>	<u>\$63,095,469</u>	<u>\$ 11,345,000</u>	<u>\$ 24,674,800</u>	<u>\$ 205,910,669</u>

**CITY OF HAMPTON, VIRGINIA**  
**Computation of Legal Debt Margin**  
**June 30, 2003**

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**Schedule 12**

Assessed value:

Real estate	\$ 5,638,936,074	
Public service corporations - real estate	184,567,394	
Newport News Waterworks	<u>57,471,901</u>	<u>\$ 5,880,975,369</u>

Debt limit at 10% of assessed value		<u>588,097,537</u>
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General obligation bonded debt:

General obligation tax-exempt bonds	156,145,000	
General obligation taxable bonds	8,978,916	
Notes Payable	3,774,727	
Solid Waste Fund	<u>279,000</u>	169,177,643

Long term notes payable:

State literary loan		<u>1,704,527</u>
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Total long-term debt		<u>170,882,170</u>
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Legal debt margin		<u>\$ 417,215,367</u>
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Note:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value.

The note payable of \$279,000 is reported and paid from funds in the Solid Waste Fund.

The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, accrued sick, annual leave and net pension obligation totaling \$ 9,679,242 at June 30, 200

There are no overlapping or underlying tax jurisdictions.

**CITY OF HAMPTON, VIRGINIA**  
**GOVERNMENT-WIDE EXPENSES BY FUNCTION**  
**Last Ten Fiscal Years Ended June 30, 2003**  
**(In Thousands)**

**TABLE I**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Sanitation</u>	<u>Health</u>	<u>Social Services</u>	<u>Culture and Recreation</u>	<u>Education and Educational Services</u>	<u>Housing</u>	<u>Capital Improvements</u>	<u>Interest on Long-Term Debt</u>	<u>Total</u>
2002	\$ 67,760	\$ 33,518	\$ 2,319	\$ 14,840	\$ 3,020	\$ 21,439	\$ 27,282	\$ 55,393	\$ 20,429	\$ 8,923	\$ 8,172	\$ 263,095
2003	71,673	35,779	2,170	14,823	2,843	23,313	30,412	55,927	20,483	10,358	9,817	\$ 277,598

**CITY OF HAMPTON, VIRGINIA  
GOVERNMENT-WIDE REVENUES  
Last Ten Fiscal Years Ended June 30, 2003  
(In Thousands)**

**TABLE II**

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Unrestricted Investment Earnings</u>	<u>Special Items</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 40,854	\$ 63,377	\$ 2,763	\$ 159,578	\$ 4,356	\$ (88)	\$ 6,942	\$ 277,782
2003	43,839	69,076	5,558	164,798	3,380	166	7,251	294,068



**CITY OF HAMPTON, VIRGINIA**  
**GENERAL GOVERNMENT EXPENDITURES BY ORGANIZATIONAL FUNCTIONS**  
**Last Ten Fiscal Years Ended June 30, 2003**  
**(In Thousands)**

**TABLE III**

Function	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Legislative	\$ 301	\$ 290	\$ 303	\$ 415	\$ 393	\$ 432	\$ 486	\$ 490	\$ 480	\$ 497
Department of Law	508	639	637	720	726	769	792	874	893	767
Constitutional - Judicial - Electoral	7,162	8,057	8,306	10,017	10,924	11,307	12,059	11,931	12,816	12,677
Executive	3,706	3,715	4,120	7,515	7,223	9,786	10,560	9,611	10,700	11,497
Community Development	23,197	24,773	29,675	26,158	27,392	29,329	33,175	32,191	27,781	27,345
Administrative Services	5,567	5,631	5,599	5,346	5,609	6,277	6,666	6,224	6,860	7,257
Community Services	42,360	43,920	47,144	50,195	50,392	54,932	58,367	59,854	64,441	70,294
Education - School Funds	109,416	117,287	123,496	127,859	135,314	144,310	151,957	162,086	167,279	170,997
Contributions	2,910	3,452	3,426	526	492	596	600	513	503	487
Retirement and Employee Benefits	11,529	12,050	12,511	12,663	13,594	13,252	13,505	15,912	16,580	17,588
Debt Retirement and Sinking Fund	9,129	5,382	17,733	6,016	6,449	41,369	7,796	9,074	16,307	10,892
Debt Interest/Debt Issue Costs	4,079	4,593	7,551	7,883	7,320	6,762	6,291	8,626	8,028	8,965
Capital Outlay and Transfers	4,068	1,518	2,245	3,149	5,110	7,246	9,325	7,212	8,118	8,458
Total	<u>\$ 223,932</u>	<u>\$ 231,307</u>	<u>\$ 262,746</u>	<u>\$ 258,462</u>	<u>\$ 270,938</u>	<u>\$ 326,367</u>	<u>\$ 311,579</u>	<u>\$ 324,598</u>	<u>\$ 340,786</u>	<u>\$ 347,721</u>

Note: This table includes expenditures (net of applicable interfund transfers) for the General Fund, the Special Revenue Funds, the Debt Service Funds and School Funds.

Interfund transfers of \$73,335 between the General Fund, Special Revenue Funds and the Debt Service Funds are not included in expenditures.

**CITY OF HAMPTON, VIRGINIA**  
**GENERAL GOVERNMENT REVENUES BY SOURCE**  
**Last Ten Fiscal Years Ended June 30, 2003**  
**(In Thousands)**

**TABLE IV**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Taxes	\$ 105,869	\$ 114,679	\$ 119,893	\$ 124,770	\$ 129,316	\$ 132,428	\$ 137,064	\$ 145,905	\$ 157,587	\$ 163,889
Licenses and permits	756	696	737	828	739	869	905	919	1,464	1,448
Fines and forfeitures	1,040	990	987	994	965	906	893	943	1,124	1,300
Revenue from use of money and property	1,493	2,215	2,805	3,037	3,694	2,759	2,887	3,896	3,152	2,748
Charges for services	5,555	5,513	4,259	4,138	4,171	4,186	5,338	5,239	5,586	5,917
Other	16,440	11,886	14,487	12,712	11,252	46,535	13,427	15,403	18,750	33,059
Recovered costs	4,876	5,030	4,613	3,925	4,026	3,890	8,227	9,720	8,288	9,618
Noncategorical aid - State	894	1,063	1,196	1,152	1,034	1,282	1,287	1,252	1,205	1,035
Shared expenses - State	3,699	4,266	4,514	4,566	4,927	6,434	7,091	6,841	6,699	6,853
Categorical aid - State	69,209	75,504	81,581	87,420	91,044	98,339	108,832	112,885	115,170	121,447
Noncategorical aid - Federal	2,101	2,312	2,454	1,840	1,581	2,504	2,560	2,669	210	222
Categorical aid - Federal	16,002	18,134	18,096	16,204	16,949	19,179	22,075	23,336	27,647	29,780
<b>Total revenues</b>	<b>227,934</b>	<b>242,288</b>	<b>255,622</b>	<b>261,586</b>	<b>269,698</b>	<b>319,311</b>	<b>310,586</b>	<b>329,008</b>	<b>346,882</b>	<b>377,316</b>
Fund balance	14	81	1,234	66	1,589	7,818	2,740	911	-	-
	<u>\$ 227,948</u>	<u>\$ 242,369</u>	<u>\$ 256,856</u>	<u>\$ 261,652</u>	<u>\$ 271,287</u>	<u>\$ 327,129</u>	<u>\$ 313,326</u>	<u>\$ 329,919</u>	<u>\$ 346,882</u>	<u>\$ 377,316</u>

Note: This table includes the General Fund, all Special Revenue Funds, Debt Service Funds and School Funds. Interfund transfers of \$73,335 between the General Fund, Special Revenue Funds, and the Debt Service Funds are not included in revenues. The fund balance amounts reflected above as a general government resource represent authorized appropriations of fund balance to meet obligations of the applicable fiscal year.

**CITY OF HAMPTON, VIRGINIA  
TAX REVENUES BY SOURCE**

**TABLE V**

**Last Ten Fiscal Years Ended June 30, 2003  
(In Thousands)**

<b>Fiscal Year Ended June 30</b>	<b>Total Taxes</b>	<b>General Property Taxes</b>	<b>Sales Taxes</b>	<b>Utility Taxes</b>	<b>Tobacco Taxes</b>	<b>Meal Tax</b>	<b>Other Taxes</b>
1994	\$105,869	\$ 70,317	\$ 10,506	\$ 7,529	\$ 1,893	\$ 5,624	\$ 10,000
1995	114,679	77,268	10,698	7,780	2,734	5,804	10,395
1996	119,893	80,594	10,557	8,571	2,339	5,905	11,927
1997	124,770	84,138	11,478	8,464	2,326	5,993	12,371
1998	129,316	86,457	11,906	8,661	2,610	6,409	13,273
1999	132,428	88,117	12,145	8,857	2,413	6,739	14,157
2000	137,065	91,936	12,099	9,027	2,382	6,832	14,789
2001	145,905	96,755	11,422	9,897	2,772	8,575	16,484
2002	157,586	105,009	11,728	10,156	2,456	10,325	17,912
2003	163,889	110,706	11,383	9,941	2,952	10,470	18,437

**CITY OF HAMPTON, VIRGINIA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years Ended June 30, 2003**  
**(In Thousands)**

**TABLE VI**

Fiscal Year Ended June 30	Total Tax Levy*	Current Tax Collections (1)*	Personal Property Reimbursement from the State	Total Current Tax Collections*	Percent of Levy Collected	Delinquent Tax Collections*	Total Tax Collections*	Total Collections as Percent of Current Levy	Rate per \$100 of Assessed Value	
									Real Estate	Personal Property
1994	\$ 71,815	\$ 67,911	\$	\$ 67,911	94.56	\$ 2,406	\$ 70,317	97.91 %	\$ 1.20	\$ 4.40 (2)
1995	77,356	73,144		73,144	94.56	4,124	77,268	99.89	1.23	4.40 (2)
1996	81,445	76,367		76,367	93.77	4,107	80,474	98.81	1.23	4.40 (2)
1997	84,858	79,216		79,216	93.35	4,678	83,894	98.86	1.23	4.25 (2)
1998	87,218	81,691		81,691	93.66	4,509	86,200	98.83	1.25	4.25 (2)
1999	88,927	82,018	1,149	83,167	93.52	4,655	87,822	98.76	1.25	4.25 (2)
2000	94,308	82,717	3,460	86,177	91.38	5,471	91,648	97.18	1.25	4.25 (2)
2001	96,775	81,303	8,807	90,110	93.11	6,352	96,462	99.68	1.25	4.25 (2)
2002	102,126	77,708	18,256	95,964	93.97	8,600	104,564	102.39	1.27	4.25 (2)
2003	106,615	86,639	14,292	100,931	94.67	7,598	108,529	101.80	1.27	4.25 (2)

Notes:

(1) Includes penalties: A 10% penalty is added December 5th and June 5th.

(2) Machine and tool and recreational boat taxes are assessed, levied and due on the same basis as other personal property. In fiscal 2002, the tax rate for machine and tools was changed to \$3.00 per \$100 levied. In fiscal 1992, the tax rate for recreational boats was \$1.00 per \$100 levied. The same rates are in effect this fiscal year.

There are no overlapping or underlying tax jurisdictions.

\* In Thousands

**CITY OF HAMPTON, VIRGINIA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years Ended June 30, 2003**  
**(In Thousands)**

**TABLE VII**

Fiscal Year Ended June 30	Real Estate					Personal Property			Totals		Total Assessed as a Percent of Estimated Actual Value (2)
	Assessed Value					Assessed & Estimated Actual Value			Real and Personal		
	Citizens' Property	Public Service (1)	Newport News Waterworks	Total	Estimated Actual Value	Citizens' Property	Public Service	Total	Assessed Value	Actual Value	
1994	\$ 4,252,052	\$ 175,864	\$ 39,619	\$ 4,467,535	\$ 4,563,366	\$ 435,334	\$ 14,650	\$ 449,984	\$ 4,917,519	\$ 5,013,350	98%
1995	4,386,254	174,736	39,623	4,600,613	4,689,718	497,088	16,404	513,492	5,114,105	5,203,210	98
1996	4,528,482	172,288	39,625	4,740,395	4,851,990	558,152	14,438	572,590	5,312,985	5,424,580	98
1997	4,598,827	171,377	39,626	4,809,830	4,953,480	632,634	15,986	648,620	5,458,450	5,602,100	97
1998	4,749,616	168,661	43,563	4,961,840	5,057,941	625,768	15,944	641,712	5,603,552	5,699,653	98
1999	4,840,618	184,456	48,954	5,074,028	5,290,957	629,693	16,006	645,699	5,719,727	5,936,656	96
2000	4,984,196	180,111	49,852	5,214,159	5,471,310	721,815	16,969	738,784	5,952,943	6,210,094	96
2001	5,157,140	198,396	51,822	5,407,358	5,740,295	724,972	18,529	743,501	6,150,859	6,483,796	95
2002	5,361,262	195,595	53,494	5,610,351	6,144,963	757,002	20,346	777,348	6,387,699	6,922,311	92
2003	5,638,936	184,567	57,472	5,880,975	6,563,588	765,274	21,873	787,147	6,668,122	7,350,735	90

Notes:

- (1) Public service assessed values are furnished by the State Corporation Commission of Virginia with no indication of assessment rate or actual value. The state mandated conversion of personal property to real estate for taxing purposes whereby personal property values are converted at 5% a year over a 20-year period.
- (2) The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 89.6%.

**CITY OF HAMPTON, VIRGINIA**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED REAL ESTATE VALUES**  
**AND NET BONDED DEBT PER CAPITA**  
**Last Ten Fiscal Years Ended June 30, 2003**

**TABLE VIII**

<b>Fiscal Year Ended June 30</b>	<b>Population (1)</b>	<b>Assessed Value *</b>	<b>Net Bonded Debt (2) *</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1994	138,400	\$ 4,467,535	\$ 78,950	1.8	\$ 570.45
1995	138,000	4,600,613	124,460	2.7	901.88
1996	136,900	4,740,395	131,530	2.8	960.77
1997	138,000	4,809,830	125,857	2.6	912.01
1998	138,000	4,961,840	119,880	2.4	868.70
1999	136,500	5,074,028	116,176	2.3	851.11
2000	136,200	5,214,159	155,329	3.0	1,140.45
2001	146,437	5,407,358	146,852	2.7	1,002.83
2002	147,300	5,610,351	163,057	2.9	1,106.97
2003	145,200	5,880,975	160,286	2.7	1,103.90

Notes:

(1) Source: Weldon Cooper Center for Public Service.

(2) Does not include Refuse-Steam Plant general obligation debt or Educational Technology Bonds which are retired through revenues of the related operations.

\* In Thousands

**CITY OF HAMPTON, VIRGINIA**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES**  
**FOR GENERAL BONDED DEBT TO GENERAL GOVERNMENT EXPENDITURES**  
**Last Ten Fiscal Years Ended June 30, 2003**  
**(In Thousands)**

**TABLE IX**

<b>Fiscal Year Ended June 30</b>	<b>(1), (3) Principal</b>	<b>(1) Interest</b>	<b>Total Debt Service</b>	<b>Total Expenditures</b>	<b>Debt Service as a Percent of Total General Government Expenditures</b>
1994	\$ 9,558	\$ 3,248	\$ 12,806	\$ 223,932	5.72%
1995	5,570	3,377	8,947	231,307	3.87%
1996	5,218	7,069	12,287	262,746	4.68%
1997	6,016	7,646	13,662	258,462	5.29%
1998	6,449	7,316	13,765	270,938	5.08%
1999	7,224	6,574	13,798	326,367	4.23%
2000	7,676	6,262	13,938	311,579	4.47%
2001	8,948	8,608	17,556	324,598	5.41%
2002	8,949	7,757	16,706	340,786	4.90%
2003	9,798	8,688	18,486	347,721	5.32%

**Notes:**

- (1) Excludes general obligation series 2002 bonds for the Refuse-Steam Plant Fund, installment purchase contracts, HRHA debt, accrued sick and annual leave and general obligation bond anticipation notes.
- (2) This table includes expenditures (net of applicable interfund transfers) for the General Fund, the Special Revenue Funds, the Debt Service Funds and School Funds. Interfund transfers of \$70,543 between the General Fund, Special Revenue Funds and the Debt Service Funds are not included in expenditures.
- (3) Excludes \$12,024,375 in principal payments which were defeased during fiscal year 1996.

**CITY OF HAMPTON, VIRGINIA  
REVENUE BOND COVERAGE**

**TABLE X**

**THE HAMPTONS**

**Last Ten Fiscal Years Ended June 30, 2003**

**(In Thousands)**

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	\$ 1,369,902	\$ 661,820	\$ 708,082	\$ 90,000	\$274,687	\$364,687	1.94
1995	1,459,272	738,031	721,241	100,000	268,509	368,509	1.96
1996	1,239,964	733,871	506,093	105,000	261,819	366,819	1.38
1997	1,249,712	991,787	257,925	110,000	255,400	365,400	0.71
1998	1,213,681	976,665	237,016	120,000	247,255	367,255	0.65
1999	1,350,931	828,975	521,956	130,000	239,890	369,890	1.41
2000	1,327,095	843,848	483,247	140,000	134,572	274,572	1.76
2001	1,335,047	892,182	442,865	175,000	174,475	349,475	1.27
2002	1,564,209	946,828	617,381	185,000	163,625	348,625	1.77
2003	1,294,155	897,892	396,263	195,000	152,915	347,915	1.14

Notes:

(1) Total revenues includes transfer in.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.



**CITY OF HAMPTON, VIRGINIA  
REVENUE BOND COVERAGE**

**TABLE XI**

**THE MUSEUM**

**Last Ten Fiscal Years Ended June 30, 2003**

**(In Thousands)**

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1994	\$ 4,055,398	\$ 2,367,460	\$ 1,687,938	\$ 410,000	\$ 1,381,653	\$ 1,791,653	0.94
1995	4,093,905	2,477,593	1,616,312	615,000	1,125,258	1,740,258	0.93
1996	5,041,167	2,983,959	2,057,208	645,000	1,090,660	1,735,660	1.19
1997	4,898,255	3,117,705	1,780,550	685,000	1,052,507	1,737,507	1.02
1998	5,679,859	3,507,943	2,171,916	725,000	1,010,920	1,735,920	1.25
1999	6,110,251	3,827,447	2,282,804	770,000	965,622	1,735,622	1.32
2000	5,374,436	4,152,478	1,221,958	825,000	916,927	1,741,927	0.70
2001	6,190,307	4,366,422	1,823,855	860,000	877,688	1,737,688	1.05
2002	7,108,207	4,269,874	2,838,333	905,000	838,987	1,743,987	1.63
2003	9,335,521	4,645,266	4,690,255	940,000	798,263	1,738,263	2.70

Notes:

(1) Total revenues includes transfer in.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

**CITY OF HAMPTON, VIRGINIA**  
**DETAILS OF PROPERTY TAX LEVIES**  
**As of June 30, 2003**  
**(In Thousands)**

**TABLE XII**

	<u>Rate Per \$100 Levied</u>	<u>Assessed Value</u>	<u>Total Tax Levy</u>
For the tax year 2003:			
Real estate:			
Citizens'	\$ 1.27	\$ 5,638,936	\$ 71,614
Public services	1.27	184,567	2,344
Newport News Waterworks	1.27	57,472	730
Personal property:			
Citizens'	Note (2)	697,499	28,963
Public services	Note (1)	21,873	930
Citizens' machines and tools	Note (3)	<u>67,775</u>	<u>2,033</u>
Totals		<u>\$ 6,668,122</u>	<u>\$ 106,614</u>

Notes:

- (1) Under the Commonwealth of Virginia's controlled assessment program, personal property owned by public service corporations is treated as real property status for taxing purposes. Trucks and automobiles of such corporations are taxed at the same rate applicable to other trucks and automobiles in the City. Assessment value is provided by the state after fiscal year end with a retroactive payment adjustment being made in the first payment. Tax rates on these two classes of property are \$4.25 and \$1.27.
- (2) Personal property is assessed on a calendar-year basis. The taxes levied are due in two installments on June 5 and December 5. The tax rate in effect for taxes levied and due in the fiscal year ended June 30, 2003 was \$4.25 per \$100 levied for the December 5, 2002 and June 5, 2003 installments.
- (3) Machine and tools taxes are assessed, levied and due on the same basis as other personal property. The tax rate in effect for taxes levied and due in the fiscal year ended June 30, 2003 was \$3.00 per \$100 levied.

**CITY OF HAMPTON, VIRGINIA  
DEMOGRAPHIC STATISTICS**

**TABLE XIII**

**Last Ten Fiscal Years Ended June 30, 2003**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Income (2)</b>	<b>Median Age (in years)</b>	<b>Education Level in Years of Formal Education</b>	<b>School Membership (4)</b>	<b>Unemployment Rate Percentage (3)</b>
1994	138,400	\$ 17,184	N/A	N/A	23,434	6.2%
1995	138,000	17,626	N/A	N/A	23,097	5.6
1996	136,900	18,504	N/A	N/A	23,403	4.4
1997	137,600	19,153	N/A	N/A	23,450	5.8
1998	136,500	19,973	N/A	N/A	23,510	4.8
1999	136,500	N/A	N/A	N/A	23,431	4.3
2000	136,500	N/A	N/A	N/A	23,431	3.6
2001	146,437	N/A	N/A	N/A	23,290	3.6
2002	147,300	N/A	N/A	N/A	23,192	5.1
2003	145,200	N/A	N/A	N/A	22,996	5.4

**Notes:**

(1) Source: Weldon Cooper Center for Public Service

(2) Source: Hampton Roads Data Book, June 1999, published by the Hampton Roads Planning District Commission.

(3) Source: Virginia Employment Commission, Hampton.

(4) Source: Virginia Department of Education

N/A = Not available

**CITY OF HAMPTON, VIRGINIA**  
**PROPERTY VALUE, CONSTRUCTION, BANK DEPOSITS AND RETAIL SALES**  
**Last Ten Fiscal Years Ended June 30, 2003**  
**(Dollars in Millions)**

**TABLE XIV**

<u>Years (1)</u>	<u>Building Permits</u>		<u>Bank</u>	<u>Retail</u>	<u>Real Property Value (3)</u>	
	<u>Issued</u>	<u>Value (1)</u>	<u>Deposits</u>		<u>Taxable</u>	<u>Nontaxable</u>
			<u>(1) (2)</u>	<u>Sales (1) (2)</u>		
1994	3,871	\$ 60.5	\$ 623.2	\$ 1,018.0	\$ 4,467.5	\$ 1,830.9
1995	3,776	83.0	724.0	997.7	4,600.6	1,884.6
1996	4,265	88.0	727.2	1,007.9	4,740.3	1,909.0
1997	3,748	75.4	515.1	1,095.2	4,809.9	1,945.1
1998	3,917	76.5	622.9	1,127.9	4,961.8	1,946.5
1999	3,485	84.1	647.8	1,107.4	5,074.0	2,001.2
2000	3,157	104.3	707.7	1,072.1	5,214.2	2,070.0
2001	3,200	53.5	685.2	1,062.5	5,407.3	2,068.3
2002	3,104	61.9	706.0	1,072.4	5,610.3	2,228.0
2003	1,678 (4)	87.2 (4)	N/A	517.2 (4)	5,881.0	2,334.3

**Notes:**

(1) Permits, commercial bank deposits and retail sales on a calendar year basis and property on a fiscal year basis.

(2) Source: Tidewater Virginia Statistical Digest  
(a) Bank deposits - Federal Reserve Bank - FDIC  
(b) Retail sales - Virginia Department of Taxation

(3) Estimated actual value

(4) Six months from January - June

N/A = Not available

**CITY OF HAMPTON, VIRGINIA  
GENERAL STATISTICAL DATA  
June 30, 2003 (or as indicated)**

**TABLE XV**

**Historical:**

Established as a town  
Incorporated  
Present charter adopted  
Boundary extension (Annexation of Elizabeth City County and Phoebus)

1887  
March 30, 1908  
December 16, 1952  
July 1, 1952

**General:**

Form of government - Council/City Manager  
Council Members - seven elected at large for four-year terms. Elections held every two years.  
Mayor directly elected by voters.  
Area of City (square miles) - Land 54.7; Water 17.3; Total 72.0  
Miles of Roadway - Arterial and Collector Streets 426; Interstate and Approach Roads 14-1/2

**Services:**

**Recreation:**

Air Power Park	1
Amphitheaters	1
Baseball fields	38
Softball fields	15
Basketball courts	35
Blue Bird Gap Farm	1
Boat ramps	3
Coliseum	1
Football fields	20
Soccer fields	28
Fort Wool	1
Golf course	2
Arts Commission	1
Municipal beaches	3
Neighborhood parks	10
Outreach centers	4
Picnic shelters	28
Playgrounds	41
Community centers	3
Senior Citizens Center	1
Football stadium	1
Tennis courts	66
Indoor swimming pool	1
Carousel	1
Sandy Bottom Nature Park	1
Hampton History Museum	1

Source: Parks and Recreation

**Parks:**

	<u>Acres</u>	<u>Number</u>
Currently developed	1,575	37
Undeveloped or underdeveloped	37	7
Pedestrian malls	1	1
School areas	675	33
Total	<u>2,288</u>	<u>78</u>

Source: Parks and Recreation

**Education:**

	<u>2003</u>
High schools	4
Middle schools	6
Elementary schools	24
School board personnel (1)	2,763
Student membership (total)	22,662
High schools	6,523
Middle schools	5,694
Elementary schools	10,445
(1) Authorized positions	2,763

Source: School System - Publications and Information

**Fire Protection:**

Stations	10
Employees	249
Uniformed employees	237
Advanced Life Support Technicians	133
Civilians	12
Volunteers "certified" in Firefighting	81
Volunteers "certified" as Emergency Medical Technicians	149
Volunteers "certified" as Firefighting and EMS	117

Source: Fire Division - Personnel

**Size of Authorized City Staff:**

Authorized permanent, full-time salaried positions, all departments, general and nonappropriated funds, excluding the four (4) employees of the Virginia Extension Service assigned to Hampton.

2003 1,761

Source: FY2001 Budget Document

**Police Protection:**

Number of employees (total)	417
Police	280
Civilians	106
School crossing guards	31
Patrol vehicles	227
Explorer post members	11
Patrol boats	3
Police Auxillary Officers (Volunteers)	9

Source: Police Division: Administrative Services

**Ten Largest Property Taxpayers:**

Taxpayer:	Assessed Value	Taxes	Percent
Hampton Mall Association - shopping mall retail	\$ 63,690,202	\$ 808,866	25.3%
Liberty Property Limited Partnership	26,811,003	340,500	10.6
Hampton Investors, I LLC et al	22,811,101	289,701	9.0
Hampton Training School NU	22,700,302	288,294	9.0
Coliseum Crossing	20,681,200	262,651	8.2
Gateway 2000	20,500,000	260,350	8.1
HNN Associates	20,079,702	255,012	8.0
Howmet Corporation	18,569,200	235,829	7.4
Riverdale Plaza Shopping Center	18,533,205	235,372	7.3
Megaplex Nine, Inc.	17,830,101	226,442	7.1
		<u>\$ 3,203,017</u>	<u>100.0%</u>

Source: Assessor's Office

(Continued)

**CITY OF HAMPTON, VIRGINIA  
GENERAL STATISTICAL DATA, Concluded  
June 30, 2003 (or as indicated)**

**TABLE XV**

**Employment:**

**Principal Public and Private Employers:**

**500+ employees:**

Association for Retarded Citizens, Inc.	Spiegel Group Teleservice, Inc.
Gateway	Teletech Customer Care
Hampton University	Walmart Associates, Inc.
Howmet Corporation	West Telemarketing Corporation
Lockheed Technical Operations, Inc.	
Newport News, Inc.	
Science Applicats Int'l Corp.	
Sentara Hampton General Hospital	

**250-499 employees:**

American Red Cross  
Computer Sciences Corp.  
Cubuc Applications, Inc.  
Farm Fresh LLC  
Federal Mogul  
Food Lion  
Headway Corp Staffing of NC, Inc.  
Humana Military 2 5 Inc.

JC Penney Co.  
Peninsula Behavioral Center  
Raytheon Company  
7 Eleven Stores

*Source: Development Department*

**Leading Government Employers:**

1. Langley Air Force Base	11,379
2. Fort Monroe	3,418
3. Hampton City Schools	3,029
4. NASA - Langley	2,304
5. City of Hampton	1,933
6. V.A. Hospital	1,200

*Source: Personnel Office of each government employer*

**Elections During Fiscal Year 2001-2002:**

Election	Date	Registered Voters	Number of Votes Cast	Percentage Voting
General Election	11/5/02	75,554	30,589	40.49%
Primary	6/10/03	74,364	12,424	16.71

*Source: Voting Registrar*



# WITT MARES EGGLESTON SMITH, PLC

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council  
City of Hampton, Virginia

### Compliance

We have audited the compliance of the City of Hampton, Virginia, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The City of Hampton, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Hampton, Virginia's management. Our responsibility is to express an opinion on the City of Hampton, Virginia's compliance based on our audit.

The City of Hampton, Virginia's basic financial statements include the operations of the Hampton Redevelopment and Housing Authority, which expended \$16,892,789 in federal awards which is not included in the Schedule of Expenditure of Federal Awards for the year ended June 30, 2003. Our audit, described below, did not include the operations of Hampton Redevelopment and Housing Authority because Hampton Redevelopment and Housing Authority engaged other auditors to perform an audit in accordance with OMB Circular A-133.



We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hampton, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Hampton, Virginia's compliance with those requirements.

In our opinion, the City of Hampton, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

#### Internal Control Over Compliance

The management of the City of Hampton, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hampton, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Witt Marcus Eggleston Smith, PLLC*

Newport News, Virginia  
October 31, 2003



# WITT MARES EGGLESTON SMITH, PLC

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Hampton, Virginia

We have audited the financial statements of City of Hampton, Virginia, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority's funds, which statements reflect total assets of \$42,658,985 as of December 31, 2002, and total revenues of \$22,009,073 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hampton Redevelopment and Housing Authority in the proprietary funds, is based on the report of other auditors.

### Compliance

As part of obtaining reasonable assurance about whether the City of Hampton, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We did not perform tests of Hampton Redevelopment and Housing Authority's compliance with laws, regulations, contracts, and grants. Those tests were performed by the other auditors, whose report on compliance with laws and regulations in accordance with *Government Auditing Standards* was furnished to us. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hampton, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Will Marie Eggleston Smith, PLC*

Newport News, Virginia  
October 31, 2003



WITT MARES  
EGGLESTON SMITH, PLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH COMMONWEALTH OF VIRGINIA  
LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

To the City Council  
City of Hampton, Virginia

We have audited the financial statements of the City of Hampton, Virginia, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. We did not audit the financial statements of the Hampton Redevelopment and Housing Authority, which statements reflect total assets of \$42,658,985 as of December 31, 2002, and total revenues of \$22,009,073 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts, and grants applicable to the City of Hampton, Virginia, is the responsibility of the City of Hampton, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Hampton, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts and grants for which we performed tests of compliance:

Code of Virginia:

- Budget and Appropriation Laws
- Conflicts of Interest Act
- Debt Provisions
- Uniform Disposition of Unclaimed Property Act
- Cash and Investment Laws
- Local Retirement Systems
- Procurement Laws
- Personal Property Tax Relief Act

State Agency Requirements:

- Social Services
- Comprehensive Services Act for At-risk Youth and Families
- Economic Development Opportunity Fund
- Highway Maintenance Funds
- Education
- Sheriff's Inmate and Canteen Fund

With respect to the items tested, the results of our procedures disclosed: all Child Welfare Trust accounts are not under the Treasurer's control and the Treasurer has not established separate accounts for SSI dedicated funds. The Child Welfare Trust accounts are under the control of the Department of Social Services and SSI dedicated funds are commingled with the individual's regular savings account. Although the funds are held in interest bearing accounts, only the Department of Social Services controls access to the accounts. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Hampton, Virginia, had not complied, in all material respects, with those provisions.

This report is intended for the information of City Council, management and applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Witt Mares Eggleston Smith, PLLC*

Newport News, Virginia  
October 31, 2003

**CITY OF HAMPTON, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2003**

**Section I-Summary of Auditors Results**

*Financial Statements*

Type of auditor's report issued:

**UNQUALIFIED**, qualified, adverse, or disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?
- Reportable condition(s) identified that are not considered to be material weaknesses?

\_\_\_\_\_ Yes                        X   No

\_\_\_\_\_ Yes                        X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes                        X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?
- Reportable condition(s) identified that are not considered to be material weakness(es)?

\_\_\_\_\_ Yes                        X   No

\_\_\_\_\_ Yes                        X   No

Type of auditor's report issued on compliance for major programs:

**UNQUALIFIED**; qualified, adverse, or disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ Yes                        X   No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
<u>10.551, 10.561</u>	<u>Food Stamp Cluster</u>
<u>93.575, 93.596</u>	<u>Child Care Cluster</u>
<u>93.558</u>	<u>Temporary Assistance to Needy Families (TANF)</u>
<u>93.775, 93.777, 93.778</u>	<u>Medicaid Cluster</u>
<u>84.181</u>	<u>Early Intervention Services for Infants &amp; Toddlers with Disabilities</u>
<u>84.186</u>	<u>Drug-Free Schools</u>
<u>84.367A</u>	<u>Title II Training &amp; Recruiting</u>
<u>84.338</u>	<u>Reading Excellence</u>
<u>43.000</u>	<u>NASA LARC Visitor Center &amp; Public Education Program, Exhibit Contract,</u>
	<u>Educational Resource Center Program</u>

Dollar threshold used to distinguish between type A and  
type B programs:

\$926,289

Auditee qualified as low-risk auditee?

  X   Yes

       No

## **Section II-Financial Statement Findings**

**None**

## **Section III-Federal Award Findings and Questioned Costs**

**None**